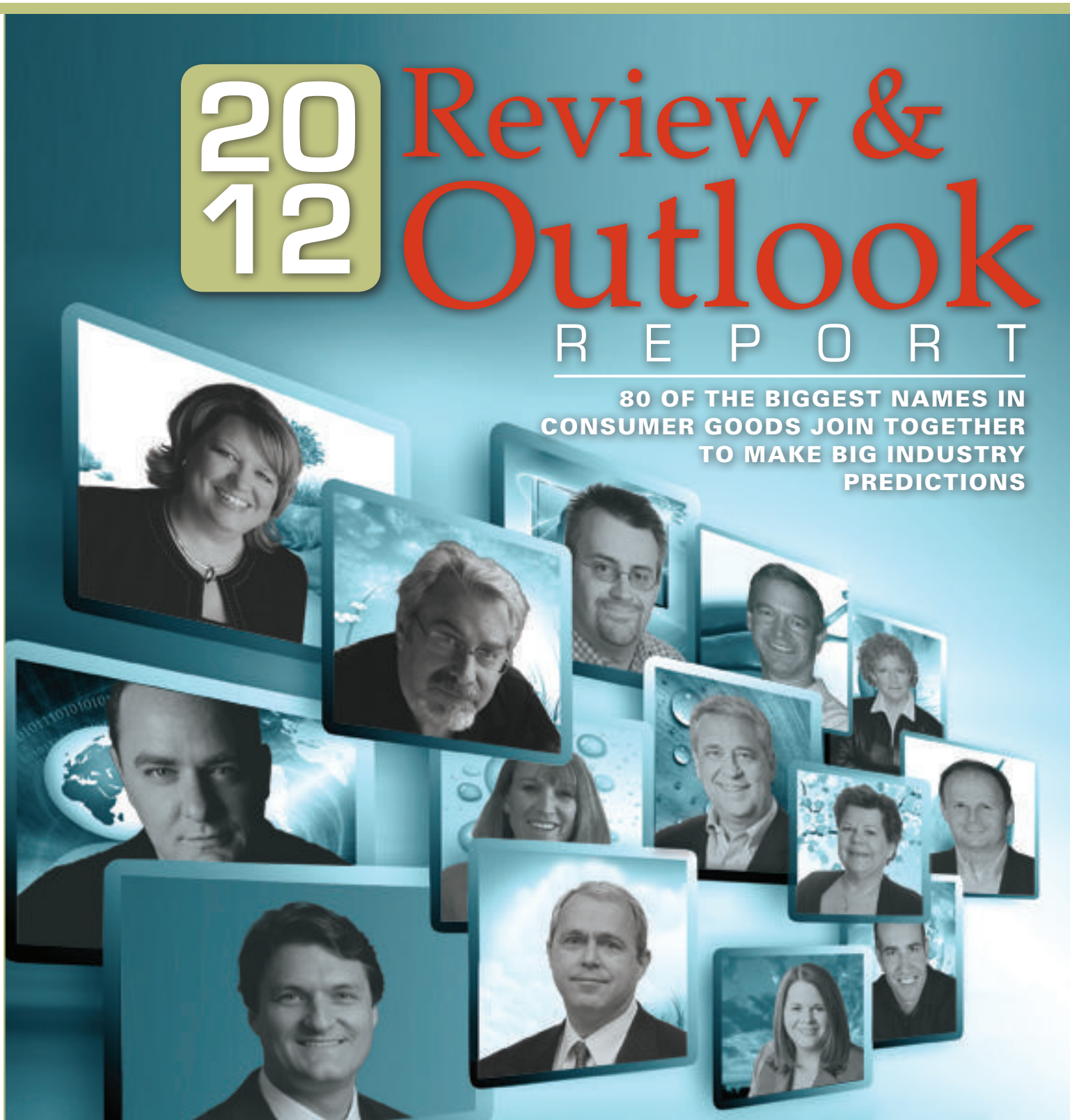
2012 Review & Outlook REPORT

80 OF THE BIGGEST NAMES IN CONSUMER GOODS JOIN TOGETHER TO MAKE BIG INDUSTRY PREDICTIONS



There is one thing that remains the same year after year in the consumer goods industry, and it's the fact that things are always going to change. As soon as your company has a handle on one challenge, three more pop up in its place.

In this second edition of the Review & Outlook Report, we once again tap *CGT*'s most valuable resources — almost 80 respected industry experts — to recommend realistic actions for managing the big changes ahead. They are the community's foremost technology wizzes, trend trackers, marketing pioneers, supply chain gurus, innovation leaders and so on. Each draws upon his or her unique experiences in the consumer goods market to answer one very important question:

"What is the most important change that you expect to impact the consumer goods industry as a whole in 2012?"

While there is no single answer to this question, this collective group of responses, as you will soon see, provides the most complete barometer of opinion in the consumer goods business and technology landscape ever compiled.

SHARED SENTIMENTS

As we assembled the content presented in this report, some overarching trends quickly emerged, including:

- The economic climate continues with tempered optimism for improvement.
- The impact of new technologies, like social media and mobility, is greater than ever, and the power of the consumer that comes with them is reaching new heights as well.
- The pace of change is faster than anticipated, and the speed is frankly intimidating for a lot of executives.
- Cost management is creeping back into the lexicon with more companies striving for cost containment in the face of increasing material and operating expenses.

These trends have translated into initiatives in several areas, which will keep our industry busy for the foreseeable future. What is most interesting is that we didn't hear too much about the usual hot topics, like trade promotion management or demand planning (although they are mentioned). Instead, projects that involve new technologies with more widespread impacts took center stage.

For example, mobility is being leveraged internally for sales force automation and operations as well as for marketing as a means of consumer interaction. This single technology will require collaboration across multiple disciplines and departments in many business scenarios, and the potential for benefits is staggering.

HOT TOPICS TO WATCH

After reading each unique point of view, we were also able to identify the top two areas that consumer goods companies should keep an eye on in order to effectively compete and lead in the market:

1. BIG DATA

Okay, so we expected this one. But rather than just talking about leveraging downstream data or building demand signal repositories for the sake of organizing data, *CGT*'s sources expound on the things they can do with all that data. Analytics is an absolute requirement these days, and companies are starting to look at the resulting consumer insights in a different light. Those insights can be leveraged to drive brand loyalty, collaborate with retail customers, interact with end consumers, and enhance the consumer experience. The job can be overwhelming, and some experts caution about governance and ownership of data as well as the challenges of ensuring one version of the truth throughout the supply chain. Data itself is nothing new, but we are seeing more and more of it come in at a faster pace, and leaders will leverage it to win the battle for the consumer.

2. NEW MARKETING

Most of the consumer goods executives quoted in this report feel that marketing initiatives would have the biggest impact on the industry in 2012; perhaps not traditional marketing, but the ability to interact with consumers through social media and mobile solutions or digital marketing. Our experts talk about digital path to purchase, creating consistent brand experiences for consumers, direct to consumer and recapturing consumers at different purchasing levels. Consumer engagement is nirvana, and the new technology, along with the resulting streams of data (see above!) are what will make these interactions possible.

LET'S GET STARTED

All responses considered, these key takeaways are just a small snapshot of the learning contained in this ground-breaking report. Turn the page and you'll see that we are first bringing you four very different perspectives from four very different members of the consumer goods community: An academic, an insider, an analyst and a small to mid-sized business expert. After that, we head into the meat of the report wherein you'll hear from dozens more consumer goods executives, trends experts and technology leaders.

You may agree with some of the opinions and disagree with others, but together, their experiences and expertise paint the most comprehensive picture of the future state of this ever-changing industry. //

THE ACADEMIC

ROBERT C. WOLCOTT
Founder & Executive Director, Kellogg Innovation Network, **Kellogg School of Management**, and Partner, **Clareo Partners**

In 2012, little will change for the consumer goods industry, yet everything will change. Sure, there will be surprises, but real change takes time. Unfortunately, business as usual compels us to focus on near-term perturbations, and obscures our vision of fundamental change.

Change seems to come quickly. But, in most cases, the concept had been percolating somewhere for years. Rather than obsessing about what might change this year, let's focus on how to consider the future, and what to do about it.

No one can reliably predict the future, yet we need vision to invest. This is a big challenge that Clareo Partners often addresses with our clients. Here are a few prescriptions to start:

1] **Extrapolating from the present works, until it doesn't.** People naturally tend to extrapolate from the present to predict the future. This largely works in the near term, but becomes ineffective as we project further out. How many companies have three-year strategic plans that are really just lines drawn from year one out to year three? That's an annual operating plan posing as a long-range strategy.

"CHANGE SEEMS TO COME QUICKLY. BUT, IN MOST CASES, THE CONCEPT HAD BEEN PERCOLATING SOMEWHERE FOR YEARS. RATHER THAN OBSESSING ABOUT WHAT MIGHT CHANGE THIS YEAR, LET'S FOCUS ON HOW TO CONSIDER THE FUTURE, AND WHAT TO DO ABOUT IT."

2] **Mitigate myopia by looking further out.** Focusing on near-term change causes us to discount what look like minor trends today, but that could have major impacts long term. This bias to the present partly explains why established consumer goods companies end up paying handsomely to acquire new product categories. Was it so hard to see enhanced water coming that PepsiCo and Coca-Cola Company had to spend billions to enter late? One way to mitigate our myopia is to consider what the world might look like in 10 or 20 years. This allows us to break away from the assumptions of today and push our thinking.

3] **Seek opportunities and threats at the periphery.** Most executives know exactly what their direct competitors are doing. Some obsess over it. But the most significant opportunities and threats occur at the periphery, precisely because most people aren't paying attention. Ensure your company has capabilities to search at the periphery on an ongoing basis, and then connect relevant information with the right people to act.

4] **Don't try to predict the future.** Generate plausible futures. Any futurist worth his or her fees will provide multiple possible futures rather than predictions. Asking "which future is most likely?" defeats the purpose. The future most people select as likely looks a lot like today. Instead, seek multiple plausible futures. By plausible we mean a future that could rationally occur, but not one that is necessarily likely. For instance, many of our clients track consumer environmental trends. Fifteen years out, consumers might be making more environmentally conscious decisions, or they might not. Either outcome is possible; neither is assured. By seeking a range of plausible futures, we're able to plan for multiple paths.

5] **Create a portfolio of options.** As in any situation of uncertainty, create a portfolio of options. Include small investments — experiments — to build knowledge as the marketplace changes, so when consumer interests have shifted, you're already there. As the future unfolds, you can increase investments in some areas and cancel others.

PepsiCo and Coca-Cola have both started making small investments in entrepreneurs bringing new products to market. They provide micro-investments, but also offer access, expertise and other support in exchange for equity and an option to acquire. They know many will fail, but some will create the next consumer phenomenon.

Once you've looked further out, scanned the periphery, generated plausible futures and built your portfolio, you'll need to commit. Only companies that commit over the long term while performing in the short term will win the right for sustainable growth. //

THE INSIDER

To be our retailer's most valued supplier, we must live in their world. We must enable them to achieve the proverbial "win" with shoppers. We do this by providing the right, innovative and requested products. We bring relevant, value-added services. And we bring over-the-top marketing and brand activation assets, providing the retailer with additional tools to use in winning with shoppers. Here are five retail trends to consider in 2012:

1] **Extraordinary Experience (Powered by Our People):** For most retailers, both 2011 and 2010 were better holiday seasons than expected. Retailers understand that while online shopping is growing, the in-store experience is a point of shopper interaction and inspiration — the place where personal connections can be made (or broken). Frontline employees will continue to serve as the "face-of-the-retailer". The employee "is" the brand, and therefore, the reflection of the brand. Expect additional investments in people and employee recognition/incentive programs. Also expect retailers to look to suppliers to provide content and information on new products so they may be experts with the shopper.

2] **Extraordinary Experience (Powered by Technology):** In-store point-of-sale systems are changing. No longer must a shopper check out at the register. With portable payment systems, retailers such as Apple Inc. have simplified the checkout, return and receipt handling process. Retailers will look to balance convenience with the highly profitable fixed checkout/front end, where incremental revenue is often found via basket-building impulse items.

In regard to social media, apps for tablet devices continue to flood the market with a few (SCVNGR, Foursquare, ShopKick, Scanbucks, Gowalla) quickly rising to the top. Retailers will invest further in leveraging these tools for driving traffic, in-store deals and promotions, and linkages to loyalty campaigns. Further, expect retailers to look to suppliers to leverage information from these technologies to innovate products faster, move products more efficiently and simplify the value chain that links them.

3] **Go Global:** More than ever, shoppers outside of North America are consumers of products from North American retailers. E-commerce has created this wedge. Global marketing and brand building via new social and mobile channels has built awareness and connections, enabling this wedge. And more than ever, retailers recognize the need to invest capital in new market growth despite what might be mediocre growth at home. Global retailers look to global suppliers with local knowledge, products and expertise to win in new markets, and most importantly, look for a consistent account management structured approach to collaborating globally.

4] **F-Commerce/Social Commerce:** F-commerce offers a unique opportunity for retailers to differentiate in the social commerce space while still driving shoppers to brick-and-mortar stores. Marketing products and services to "Follow"ers, "RT"ers and "Like"ers — an inherent treasure trove — is now available via social commerce platforms. This space is ripe for joint supplier/retailer investment to win with shoppers. Of course, while social commerce buzz will grow, the ROI of company investment in this space is still a challenge to quantify and the engaged store salesperson still gets the sale.

JUSTIN HONAMAN
Vice President, National Specialty Retail,
Coca-Cola Refreshments

"2012 WILL BE AN ABSOLUTELY EXCITING YEAR. THE OPPORTUNITY FOR RETAILERS TO COLLABORATE WITH CONSUMER GOODS SUPPLIERS WILL BE SIGNIFICANT. GAME ON!"

5] **Amazon.com:** Amazon.com lives and breathes retail through the customer's eyes. In some categories and channels, Amazon.com has already disrupted retail. And with Amazon's new Price Check app, it will provide a new level of disruption that crosses channels and has the shopper's best interest in mind. In an ideal "Amazon.com" world, one would shop the retail store, price check and find a better deal on Amazon via smartphone while in store. They would then make the purchase simply via Amazon.com's secure checkout, buy a Coke on the way out of the store and receive their product at home in a day or two, having saved money on the item. Amazon is a valued business partner to suppliers and, at the same time, will continue to innovate and invest in growing its online "store." Suppliers will be pressed to balance the tension growing between retailers selling the same or similar products at different price points. //

THE ANALYST

ANDREW WHITE,
VP, Research, Master Data Management,
Gartner Inc.

2012 is going to be a really interesting year. A nexus of forces is converging, which will lead to some new developments in information management within the consumer goods supply chain.

THE NEW OPPORTUNITY IS… INFORMATION!

Being an old (supply chain) timer, I have good reason to focus on Master Data Management (MDM). The concept of MDM or "single version of the truth" is not really new, but the evolution of that concept is making serious headway. Only a couple of years ago, the acronym was still geeky and hidden away in dark corners of the IT office block. Now, the fact that real business users can actually seek out and demand a "single version of the truth", nonetheless make it real, is quite simply a breath of fresh air. That being said, this column is not really about MDM. Its real focus is on what MDM means to CIOs and business leaders (in business terms) across the consumer goods industry.

"I ALWAYS KNEW MASTER DATA MANAGEMENT WAS GOING TO GAIN IN IMPORTANCE; I JUST DIDN'T REALIZE HOW QUICKLY AND HOW IMPORTANT IT WOULD BECOME."

2012 will be a busy year, and hype is already building. We are seeing ever more energy and money pouring into cloud computing, "Big Data" and strategies to understand and even harness knowledge mined from social networks. In 2011, we saw a boom around in-memory computing and mobile computing. We also have a current set of best practices relating to Demand Driven Value Networks, linking all aspects of the value chain. If you overlay these exciting topics with our current, somewhat troublesome global economic climate, you have a confluence of issues, challenges and opportunities. And I find MDM is at the center of it all!

QUESTIONS, CHALLENGES AND OPPORTUNITIES

Business innovators are already trolling social networks looking for data points that signify a change in consumer sentiment for products, brands and new product releases. Identifying consumers and/or groups of customers that are "influential" to their peers for marketing purposes is hard to do. Harder yet is how to make sense of this new voluminous data in context to the business processes and applications that marketing people use every day. Users are asking, "How can this work be standardized, formalized, made repeatable and integrated with core business processes inside the firewall?" Worse, much of the data in question is not even defined or controlled by the new consumer of that data (you, the consumer goods company).

Even "Big Data" is not really big enough. In truth, the problem is not that there is too much data (there always will be), but that its complexity, variability, velocity and volume lead to a host of extreme information challenges. The focus today for consumer goods companies is to extract meaningful analytics to guide business plans and marketing activities, but the work is siloed and limited in its application. This is not because the tools are immature, but because the data is not in a state that makes it meaningful to marketing or supply chain business users. There are too few examples of how coping with extreme information challenges leads to real business value.

Lastly, the rise of mobile suggests that the Chief Information Officer's very understanding of what an "application" is will be reinvented. These new tools lead to more data, more complexity, and a greater need to "tether" at least a semantic layer between where and how applications are being deployed. Legacy "system of record" applications, like ERP, hold the DNA that describes what a consumer goods company does. But the new generation of systems holds the key to success for those very same consumer goods companies. Those that figure out how to maximize business outcomes across ERP and newer applications will be the leading companies of tomorrow.

Taken together, mobile, cloud and social is information that's growing in recognition. And consistency is critical for consumer goods companies to get value from and make sense of them in relation to core, enterprise investments. At the center of "information consistency" is MDM. I always knew MDM was going to gain in importance; I just didn't realize how quickly and how important it would become. //

THE SMB EXPERT

As the importance of social media grows, consumer goods marketers are moving to a content-driven marketing conversation that facilitates meaningful brand relationships with consumers. Creating a Facebook fan page or launching a Twitter feed is only the beginning. Content is key to allowing consumers to form strong links and communities centered on common interests and shared values.

For start-ups and small to mid-sized companies, building customer engagement by leveraging digital and social media is not just a smart business strategy but an effective way to compete against much larger competitors. The key for marketing today is to shift strategies from putting all the attention on the brand as the "celebrity" to being the chief celebrant of a consumer community.

For example, at Nice-Pak, the producer of Sani-Hands sanitizing wipes, we created valuable content to become a go-to resource. We established Healthy Hands Across America (www.healthyhandsacrossamerica.org), a grassroots education program that promotes the benefits of good hand hygiene for families, schools, businesses, healthcare systems and communities. Our goal is to become the leader in hand hygiene education in the United States. It is an initiative to spread health, reduce sick days, lower healthcare costs, and raise health awareness. For example, the company successfully enacted a communitywide education campaign in Jonesboro, Ark., decreasing the number of Staph infections in emergency room patients and reducing absenteeism in schools and businesses. There is some Sani-Hands branding and a link to sanibrand.com, but the brand presence is subtle and secondary. This approach is working. Sani-Hands is filling an emotional void in a functional category dominated by big players. We are quickly building a large, engaged, and loyal user community.

I also recently led the start-up of Etoile Nation Beauty and partnered with Universal Music Group. In 2010, we decided to make Justin Bieber the first artist we launched. Justin's popularity was on the verge of exploding, and we needed to act fast to take advantage of Justin's emerging stardom. Moving at light speed, I developed a line of innovative fragranced dog tags and bracelets. We went from no concept in June to having product in stores by Black Friday! But in addition to speed to market, my other challenge was quickly building consumer awareness for the products with zero advertising dollars. Fortunately, I was collaborating with a big new star who had built his "brand" organically through YouTube. Justin has 17 million followers on Twitter and 40 million fans on Facebook! The key to success for our line was the same as for Justin himself. So, we used Justin to personally communicate to his fans via numerous tweets about our products. We also made him a very expensive custom pair of dog tags that he wore in one of his music videos! Then, pure gold struck when he decided to give them to his girlfriend and fellow pop star Selena Gomez, and she was photographed numerous times with them around her neck!

I also experienced the power of social media first hand. I granted an exclusive interview with myself and Justin to *Women's Wear Daily* (*WWD*) about the company and product launch. They ran the story on the front page, and within hours, more than 100 media outlets picked up the story. That evening, our company and the Justin Bieber launch was the focus of Neil Cavuto's business report, calling our business approach brilliant. Walmart executives stated that we were one of the best sellers during the holiday season. We spoke with *WWD* again in the spring about our new products and expansion into more retailers. The news media was there to spread the word again, at no cost to us.

In conclusion, social media represents a significant and permanent change that CMOs must embrace as part of integrated marketing communications. In both cases cited above, we made meaningful and authentic connections with our consumers. By consistently delivering content that is vital and relevant to one's target audience, your brand will begin to play a more important role in their lives. //

MICHAEL FERRARA,
Vice President,
Sales & Marketing,
Fusion Brands

"FOR START-UPS AND SMALL TO MID-SIZED COMPANIES, BUILDING CUSTOMER ENGAGEMENT BY LEVERAGING DIGITAL AND SOCIAL MEDIA IS NOT JUST A SMART BUSINESS STRATEGY BUT AN EFFECTIVE WAY TO COMPETE AGAINST MUCH LARGER COMPETITORS."

REVIEW & OUTLOOK

TIM NEGIS
VP of Marketing
1010DATA

Transparent downstream data sharing will be a key trend for consumer packaged goods (CPG) in 2012.

Retailers can share point-of-sale (POS) and other data with their CPG suppliers, enabling promotion evaluation and other vital types of analysis. Downstream data sharing like this has existed for years, but suppliers could only see the performance of its own products in a given retailer's stores.

But now, transparency is coming to the data sharing process, and this promises to have a huge impact on the way CPG suppliers compete with each other and work with retailers to promote their products.

High volume retailers, like Dollar General and Rite Aid, are leading the way by enabling each supplier to see all available data, even that for competitors. Rival vendors can now see and analyze each other's performance with no need for analytical intermediaries. This enhances competitiveness between suppliers and the richness of promotional offerings.

> "Over the last decade, at a very fast clip, traditional IT boundaries have become less relevant from an information perspective... So, out of all the data floating around in companies, how can we ever know who owns what?"
>
> **— PIETER SCHOEHUIJS, CIO, AKZONOBEL**

Large-scale transparent downstream data sharing of transaction-level data is being made possible by two important emerging technologies: cloud computing and "Big Data" analytics.

Cloud-based data sharing greatly simplifies and lowers the cost of data sharing by placing the data in a single place and allowing access to it from anywhere through the Internet, and so eliminating the need for data duplicating and downloading.

New software tools for quickly analyzing very large data sets, like the daily transaction logs from nearly 10,000 Dollar General stores, are coming on the scene from vendors. These tools make it feasible for a CPG business analyst to do detailed daily analysis where he or she used to do monthly summary analysis.

CHRIS LEMMOND
Senior Director,
Sales Operations
and Planning
1SYNC

Clearly, for us, 2012 will be defined by empowered consumers having unprecedented access to information about the products they are considering and demanding that the information is robust and accurate. 1SYNC has a unique view of the CPG industry because we sit at the point where manufacturers share the information about their products with their retailer and distributor partners. We've seen an explosion in the breadth and depth of product information being shared electronically, and we've seen retailers demand that the information on the products they carry is of the absolute highest quality and accuracy.

The term B2B2C, or business to business to consumer, is the name of the game in 2012, as there is no longer just one pipe of product information being shared between businesses, or one pipe of product information shared between a business and its consumer. So-called "supply chain" product information is now indistinguishable from "consumer information" such as ingredients, allergens and nutritionals, product claims and product images.

The expectation is that there is one truth about a given product. This is not a slam-dunk, however. More than 200 pieces of information about a product may channel without true governance through the four walls of a manufacturer, and make its way downstream to retailers and ultimately to consumers who consume the information in a digital, mobile, multi-channel world. The call to action for the CPG industry in 2012 is to demand and manage product information accuracy through the supply chain all the way to the consumer. Otherwise, consumers will be unforgiving.

FRED SCHROEDER
President
ADESSO SOLUTIONS

Midsize consumer goods (CG) manufacturers continue to experience major challenges in the areas of evaluating and measuring the results of their trade spending. Many of these companies have implemented systems and solutions to account and reconcile their spending; however, deep insight into what's working and where to improve continues to be of concern according to numerous executives. Overall, the amount of trade promotions lacking objectives and analysis remain well over 50 percent; a staggering figure. In addition, these midsize manufacturers have limited direct resources, and less ability to process the voluminous data available at virtually every key retail customer.

The opportunity for these companies in 2012 lies in three areas:

1. Recognition of the 80-20 rule. For most manufacturers, a limited number of customers (10 to 20) represent the majority of their revenue and trade spending. Also, there's a limited number of promoted groups/SKUs driving revenue and trade as well. Efforts can be focused on these areas to drive major progress.

2. Leveraging best practices and trends across retailers. There is consistency across many manufacturers at individual retail customers due to spending trends, merchandising strategies and other key areas. Capitalizing on this leads to faster and deeper analysis.

3. Accepting there are no magic answers. It is a combination of solution, training and consistent improvement.

Adesso Solution's recent acquisition of StarfishCPG is one example of how solution providers can offer midsize manufacturers with the opportunity to transition from a trade promotion management solution into the areas of spending analysis, promotion evaluation and best practices. This transition can provide the insight to develop spending plans that meet and exceed objectives in the 2013 business plan.

TIM VOLLMAN
General Manager –
On Demand Division
AFS TECHNOLOGIES

As more and more manufacturers and retailers focus on the consumer directly, I believe there will be several changes that will impact manufacturing at a corporate level and in the field.

At the corporate level, the battle for trade/consumer funds continues, with a desire to invest a larger percentage of the trade funds directly to the consumer. This strategic funds allocation shift, which is directly to the consumer, is reinforced by the data, revealing that direct consumer spending ROI continues to increase. In a related manner, there will be a continued evolution of mobile applications focused on the consumer, aimed to drive brand loyalty.

Given the growth in 2011, and projected growth for CPG in 2012, there will be a renewed focus on data; insuring that POS data is properly cleansed, mapped and merged with internal shipment data. This will allow more real-time analysis in determining where voids are occurring and where sales opportunities exist. Assuming the above, manufacturers will be taking a much more serious review of trade promotion optimization (TPO); looking to find a way to optimize their spend, and finding ways to focus on the more profitable volume.

The above can only be attained with a connected set of tools from sales and operations planning, through execution, and finally to analysis. Software companies who can connect these seamlessly and demonstrate a quantifiable ROI will help the CG manufacturer win in the battle for the consumer.

PIETER SCHOEHUIJS
CIO
AKZONOBEL

Over the last decade, at a very fast clip, traditional IT boundaries have become less relevant from an information management perspective. Unstructured data, social media, multiple devices and external data sources such as downstream POS data and specific information augmentation streams are more and more often integral part of management data provisioning within companies. The "bring your own device" discussion seems only a precursor to "bring your own technology" such as online tooling and eventually "bring your own information". So, out of all the data floating around in companies, how can we ever know who owns what?

There are a number of technology and governance provisions to be put in place such as identity management (not simple, but a prerequisite for full leverage of cloud services), master data management, and information classification and retention. Companies have struggled with this for a long time but the pressure is on. Some components may seem easy. R&D information is intellectual property and

owned by us, right? But how much of that holds in more externally focused R&D organizations, even doing crowd sourcing? We have a long way to go before metadata consistently accompanies information and our systems can combine data from different sources and owners while comprehensively adjusting other attributes such as access and retention.

STEPHANIE MILES

SVP, Commercial Services
AMBER ROAD

One of the most important trends in the retail and CG industry is the increased power of the consumer. Consumers now have access to technology that allows them to do price comparisons. They can shop at global stores via e-commerce retail sites, or they can shop locally.

Retailers are adjusting to the new consumer environment by creating more agile supply chains that allow them to more easily adjust to consumer behavior. In the past, retailers placed large orders with a determined scheduled distribution and planned product mix. Today, many retailers are placing smaller quantity orders more frequently with their suppliers. And they are reviewing and tailoring the shipment product mix to match market signals on a more frequent basis.

There are several best practices retailers can follow in order to navigate this trend successfully:

> "The single most important factor that impacts the Amway supply chain is the need for increased responsiveness due to continued year-over-year global growth."
>
> **— DEB PARMÉ, NORTH AMERICAN LOGISTICS & GLOBAL SUPPLY CHAIN PROCESSES & TECHNOLOGY, AMWAY CORP.**

• Understand what your days of inventory are and what your company goals are. Pursue opportunities to improve days of inventory that will not increase the risk of stock-outs.

• Expect the same transparency and reliability of your suppliers and trading partners that the consumers expect of you. Make your expectations known, then monitor and manage those expectations on a daily basis. Don't wait until something doesn't arrive on time to take action. Take action early.

• Provide global consistency of supply chain information for your e-commerce and m-commerce sites regardless of carrier, supplier and origin of shipment. While expanding the information that you share with your customers, protect their privacy by only working with vendors who are certified in privacy protection and who provide service level agreements.

DEB PARMÉ

VP, North American Logistics & Global Supply Chain Processes & Technology
AMWAY CORP.

The single most important factor that impacts the Amway supply chain is the need for increased responsiveness due to continued year-over-year global growth. We are achieving this new level of responsiveness in three ways.

First, we are becoming more agile and productive by reducing complexity and standardizing business systems and technologies. That requires continued investment in the supply chain. As a result, Amway is actively retiring legacy systems and bringing on a variety of "best in class" and "best in breed" solutions in ERP, warehouse management, workforce management, transportation management, integration and business intelligence. We continue to challenge our technology providers to expand global functionality and bring global solutions to the table.

Second, we are moving supply sources closer to Amway customers to reduce our lead times. Amway continues to expand its global manufacturing footprint to support regional demands for some targeted product lines. Regional distribution centers are being deployed where local manufacturing does not exist today.

Third, global business processes that are centrally led, regionally executed and globally aligned are a priority for supply chain transformation at Amway. The right people are critical to that process. As a result, we invest in human capital through a global talent pool to ensure our people have the skills and mobility needed to drive a global business and execute our regional supply chain strategy.

The results of these investments will ensure that the supply chain is best positioned to support a sustainable growth strategy for Amway.

SETH STARNER

Manager, Business Innovations
AMWAY CORP.

It's the experience that counts: The future of direct selling over the next five years will lie in experience and service design. Many companies are beginning to realize that they have nearly optimized all the cost out of their internal structures. Because of this, I believe the shift will be to focus on optimizing the customer experience to find additional profits. Customer experience, or more specifically service design, is one of the last frontiers many companies have yet to address in a methodical or rigorous way.

Many in the industry are beginning to see that no matter what their product may be, there are elements of service that surround it.

Products end up in the hands of consumers through an experience. Consumers are increasingly more interested in the process of acquisition than the product itself. Will companies be able to create new value by designing superior experiences?

The ability to deliver unique and unexpected benefits through a holistic and meaningful experience has the potential to raise a company's brand to a new height of esteem and value. Ignoring the service design of the offering leaves one open to more nimble competitors that will innovate around the experience by rethinking channel, brand, platform and service.

> "Economic challenges, currency devaluation and environmental disruptions have highlighted how interconnected we are."
>
> **— SHEKAR NATARAJAN, SENIOR DIRECTOR OF PLANNING, ANHEUSER-BUSCH INBEV**

The increasing attention paid to service design will force companies to rethink what they offer consumers — forcing them to rethink product in new terms by asking whether or not their offering truly meets customer needs. How customer experiences are designed and executed are typically outside company comfort zones, since unlike manufacturing, they consider customer experiences variable and outside their control. However, they will not be able to optimize themselves into the hearts of customers. Instead companies will need to spend much more time understanding their customers deeply and designing powerful interactions that resonate so well with customers that they simply have no choice but to share the experience with others.

SHEKAR NATARAJAN

Senior Director of Planning
ANHEUSER-BUSCH INBEV

Economic challenges, currency devaluation and environmental disruptions have highlighted how interconnected we are. Some felt the impact directly; others experienced second and third degree shock waves. Continued political and economic unrest seem certain in 2012. Here are our predictions for 2012.

- **Business Outlook:** Consumption for non-premium product offerings will improve in 2012, marginally. Key drivers: economic uncertainty, currency instability, energy (oil) prices, and high unemployment. Cost control will once again be key to generating profit. Demand for premium products and services will be the strong as wealthy grow weary of being "prudent". Global organizations will continue to look to emerging markets for growth.
- **Operating Conditions:** Acquisitions, mergers, divestitures and reorganization momentum will carry into 2012. These activities will be aimed at gaining scale and leverage. Companies will venture into different go-to-market strategies looking for breakthrough fulfillment innovation. Energy and commodity price volatility will add to bottom line P&L risk.
- **Supply Chain:** As currency and commodity volatility continue to provide a challenging environment, senior supply chain management will re-evaluate its product supply strategies. Shorter, high velocity chains with stable supplier/country combinations will gain favor. Cost will take a back seat to stability.
- **Human Capital:** Businesses will differentiate on strength of leadership or "intellectual inventory". Leadership that can guide organizations through uncertain times will be in high demand. Talent acquisition, development and retention will be the top priority. We will see increased cross-pollination of ideas as leaders cross industries.
- **Process and Technology Evolution:** Cloud technology will continue to generate excitement. True value providers will transform raw data into insights and analytics. Decision-making will improve. Social media will reshape how information is captured, synthesized and leveraged. Companies will employ enhanced tools to encourage experiential thinking.

ROBERT RUSSELL

Director, Consumer Goods, Retail and Hospitality
AT&T INDUSTRY SOLUTIONS

Mobile marketing will become increasingly important for consumer brands and act as a key differentiator for new brands or those looking to break out from the pack. Consumers are searching for products, promotions, stores and other shopping-related information in rapidly growing numbers. Many brands today are only vaguely aware that consumers are using smart phones in the shopping process, but have few details about how consumers are interacting with their brand on the mobile device — or perhaps not interacting at all with their brand.

2012 will be the year that many brands realize how mobile technology is impacting consumer-purchasing decisions. In a survey conducted by AT&T in September 2011 of marketing and advertising executives in the United States, 88 percent of respondents expect their mobile marketing program to increase in the next 12 months.

Mobile marketing solutions include many tools and applications, such as mobile and social web, SMS, barcodes and branded applications, and location-aware messaging. Many brands have not cracked the code on which solutions or combinations will be most effective for their brand, or how to use each one of them to their best competitive advantage. There is a big difference between deploying QR codes and doing a great campaign with QR codes.

For brands just entering this space, there are two key things to keep in mind: 1. Work with companies that have a track record with this technology across many of its different modalities, and 2. Deliver value to the consumer just as you would with other direct marketing mediums.

JON VAN DUYNE

Senior Executive Advisor
BOOZ & COMPANY

CPG companies will face the risk of inflation throughout 2012 as rising commodity prices impact manufacturing costs and potentially higher oil prices put pressure on transportation costs. CPG firms will be reluctant to absorb these costs, but retailers will be equally reluctant to pass along these increases to consumers through higher shelf prices, fearing the potential impact on their own market share.

These dynamics suggest that trade promotion expenditures will be a key area of discussion for both manufacturers and retailers. It is likely that CPG companies will seek to reduce costs wherever possible while retailers will be looking for increased trade spend to offset their need to increase shelf price.

Over the last 18 months, leading companies have been evaluating investments in process/technology improvements that could potentially help combat the impact of inflation. Areas that are seeing the most investment activity include:

- Post Event Analysis (PEA) and Trade Promotion Optimization
- Mobility solutions
- Understanding and improving the processes related to the shopper marketing/trade promotion intersection
- Improving cross-functional trade planning processes

Programs related to these initiatives are aimed at improving internal planning and execution processes, understanding promotion performance through in-store business intelligence, and developing insights relative to program performance and optimization. Although these capabilities alone cannot solve all the issues that accompany an inflationary environment, they can ensure that organizations are in a better position to decide how to best deploy trade funds to minimize the impact of escalating product costs.

BRIAN GIROUARD

Leader, Global Consumer Products, Retail, Distribution & Transportation Sector
CAPGEMINI

The explosion of the volume and type of data is a catalyst for change in the CG industry. Count how many times you hear or read the phrase "Big Data" this week. Large volumes of usable data ubiquitously appear as POS transactions, web site clicks, smartphone inquiries, social media messages, inventory movements, product specifications, promotion data, sensor-generated data, etc. Many CG companies struggle to effectively manage this onslaught of data.

Leading companies are launching major transformation programs to create an enterprise data repository that will provide real-time data on its customers, markets and operations worldwide. Legacy data warehouses are in need of being re-architected and migrated to current technologies, supported by new data mining and analytical tools. Complicating the challenge further is the wide range of data

formats, including blending multi-media and unstructured data in with existing traditional data definitions. Managers at all levels are expecting to make fast, informed and fact-based decisions based on comprehensive and up-to-date data. Many demand to have this data delivered to their personal mobile devices, including tablets and smartphones.

The CIO of one of Capgemini's top CG clients recently said publicly, "This (enterprise data) program is one of our top strategic initiatives, not just for IT but for the business worldwide. It will transform the way our businesses around the world access and use information, bringing enhanced insight and consistency."

Capgemini recommends that companies look at their "Big Data" (that's two) challenge beyond just an IT project, but as a transformational initiative enabled by process improvement, organization change and technology.

STEVE ROSENSTOCK

Consumer Products
Practice Lead
CLARKSTON CONSULTING

To combat the challenges of an uncertain global economy and continually changing consumer landscape, 2012 will see more companies embed analytics into their organizations to realize competitive advantage. When assessing their capability to compete through analytics, companies need to equally assess their Strategy, Processes, Organizational Behaviors and Technologies (SPOT).

• **Strategy:** Analytics needs to be a core part of a company's strategy, with alignment around business drivers, measures of success and the overall value of analytics. There needs to be an understanding as to which capabilities you need analytics to support, such as enabling better execution at retail, more effectively collaborating with customers or driving consumer insights.

• **Process:** According to a recently conducted industry research study by Catalina Marketing, over 50 percent of consumer products executives are dissatisfied with their current analytical processes. Having a standardized process in place will allow for a more holistic view of analytics across the entire organization and ensure that insights are being shared across functional silos and account teams.

• **Organizational Behaviors:** In "Competing on Analytics", Thomas Davenport discusses how "the human and organizational aspects of analytical competition are truly differentiating". From the highest levels of the organization, it is critical for analytics to be embedded within the culture, the associated value to be demonstrated and a mindset in place that supports analytical thinking and decision making.

• **Technology:** Leading companies are adapting a "test and learn" approach to investments in technology, leveraging leading tools to meet a mix of analytical needs. However, it is critical that these investments are aligned throughout the organization and provide the tools and capabilities that support the overall analytical strategy and process.

Companies who consider this holistic approach to analytics will be in a better position to combat the challenges facing our industry and realize competitive advantage.

JOHAN SAUER

Consumer Goods Consulting
Practice Leader
COGNIZANT

In our view, 2012 will deliver a transformation in the way manufacturers build brands. Consumers are rapidly changing how they shop, how they collect information, compare options, make choices and share their perspectives in near real time. Many leading CG companies have very large consumer databases so they know who many of their consumers are. They have been collecting shopper card and panel data. As a result, they know how their customers shop. So far, these islands of information have not been connected. We predict that leading manufacturers will learn how to leverage these assets to create breakthrough digital marketing capabilities that, in turn, will transform how they rebuild brand relationships with key consumers, leading to a new era of brand value creation.

What's changing? First, manufacturers have realized that the marketing game is changing. As a result, we see that they are building digital marketing strategies to keep pace with their retail trading partners. They are building these strategies on the many learnings gathered during pilot projects that they have conducted over the past years. Second, innovators are re-engineering how they create, produce, deliver and analyze their digital marketing capabilities. Manufacturers are re-thinking existing models. They are consolidating creative to a handful of agencies; they are consolidating production to an IT-centric company to gain production and content re-use efficiencies; and, they are consolidating hosting to improve service, increase controls and improve delivery consistency.

So what should a manufacturer do? We suggest a three-step plan:

• Create a digital marketing "Center of Excellence" to

consolidate learning, document current digital marketing assets and assess overall spending.

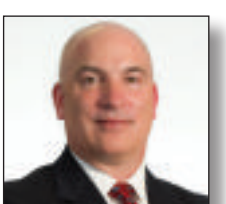
• Build a digital marketing strategy, including a business case for change and an initial implementation roadmap.

• Transform the digital content creation and delivery process into a consolidated, efficient "factory."

JON HARDING
Global CIO
CONAIR CORPORATION

In 2012, innovation remains a critical success factor for CG manufacturing companies like Conair, with new products like the Cuisinart Single Serve Coffee-maker delighting consumers with the convenience and quality of delivery. Manufacturing of such innovative products is often executed with long-term partners in China, and so economic changes in China are a significant factor in 2012 planning. Increases in raw material and labor costs in China can no longer be contained in existing CG cost-of-goods calculations. Significant price increases for CG products are not a good option in this economy, and so industry focus will be on other contributing costs that affect CG company profitability. More efficient trade promotion and sales/marketing processes are an objective. Therefore, CG IT teams need to focus on providing quicker, more flexible (agile) solutions to improve sales and marketing processes such as trade promotion and consumer insights.

At Conair, the use of software-as-a-service solutions have already helped IT be more agile in providing solutions to improve efficiency of particular aspects of supply chain and other "back-office" processes. 2012 will see our first implementations of these kind of IT solutions to support aspects of sales and marketing processes. These innovative IT solutions coupled with a major upgrade of our core, single global installation of SAP will enable further process improvement in 2012/13 in regard to process efficiency and better information for decision-makers.



LEE DAME
VP, Global Supply Chain
COOPERVISION

As part of our Global Supply Chain strategy, CooperVision will continue to drive deeper relationships with both our customers and our suppliers in 2012. The challenges that we face are twofold. First, our portfolio can quickly become unwieldy as we try to meet the needs of our end users. This is the nature of the contact lens business. We appreciate that no two eyes, no two patients and no two days are ever the same. Developing and delivering products that meet these complex needs is a test. We want to take that challenge up a notch — not only do we want to better meet our customer and end users needs, but we want to do it in a way that is less costly for all of us. Secondly, we are a company that has grown through acquisition. This has left us with an information systems structure that is more complex than we would like. We are focusing our efforts in 2012 on three areas: Refreshing our ERP strategy, developing deeper business intelligence tools and developing better visibility of the movement of product across our supply chain. Companies that can find ways to manage complexity cost effectively and continue to evolve their information infrastructure in a way that better supports not only their internal operations but those of their customers and suppliers, will posture themselves for sustainable success.

ROSE GRABOWSKI
Global Marketing Director, CPG and Retail
DASSAULT SYSTÈMES

In 2012, I expect 3D to be a major force for change in the CG industry. Increasingly, 3D technology is being used outside of the traditional manufacturing industry as an integral part of the product development process. For an industry facing shifting consumer behaviors, an increasing need for global diversification and a greater necessity for accelerating the pace of innovation, technology must be part of an integral strategy to create value. Tools are being used today by leading CPG manufacturers for product design, packaging design and testing as well as store layout and retail shelf-space strategy optimization that enhance the overall consumer experience.

Through 3D technology, CPG brand manufacturers and retailers can realistically simulate retail settings inside immersive, lifelike 3D environments to imagine, create and validate better shopping experiences. This enables them to visualize and explore brand ideas through the eyes of the consumer, optimize product positioning and generate clear merchandising instructions for in-store deployment. Being able to simulate product behavior in the first moment of truth (in store) and the second moment of truth (in use) empowers product developers to easily optimize the product for the marketplace without spending additional costs for physical

prototypes. Marketing and sales teams can test consumers' shopping, consuming and merchandising experience before the product, store or commercial space even exists. By realistically simulating retail settings inside immersive, lifelike 3D environments, CPG companies can better imagine, validate and deploy optimum shopping experiences while increasing product appeal and differentiating themselves from the competition.

To address this change, embrace and leverage 3D technology and virtual worlds that enable product development teams to expand their creativity and capacity while accelerating market-driven innovations for your consumers.

DOUG BETHEA

Consumer Goods Solutions Director
DATALLIANCE

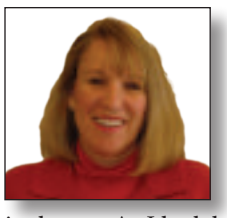
Stronger supply chain collaboration between CG suppliers and retailers will relieve rising cost pressures while serving the consumer even better.

Before you quickly dismiss this as a reprint from 20 years ago, you should first ask yourself: What's different today versus then? What are the emerging forces that are driving supply chain partners to work more closely today than ever before?

A look back at early collaboration highlights the creation of supplier multi-function teams to better "connect and strategize" with their retailer counterparts, more open communication of promotion plans, the use of joint value creation scorecards and the beginning of vendor managed inventory (VMI). We also saw countless trials to better synchronize supply with store-level POS demand data. But a phrase heard often then was, "We are long on vision but short on actual scale capabilities!"

This last point is at the heart of why supply chain collaboration is more relevant in 2012 than ever before. We are finally reaching a point where the vision for driving the supply chain from what is selling at the shelf is becoming a true reality. The emergence of the Demand Signal Repository (DSR) and technology solutions to leverage this data points to a 2012 that will not be business as usual. The visibility into what is selling and what is needed in the entire supply chain is quickly becoming a scalable reality.

CG suppliers and retailers with the agility to harness these new capabilities will be the winners. Among other things, understand how your VMI program needs to change based on these new capabilities and work to prioritize the changes you would like to see.



ANN DOZIER

VP, Fresh Dairy Direct IT
DEAN FOODS COMPANY

The one thing that is always constant in the CPG/retail industry is change. As I look back over my 20-plus years in the industry, it seems that change has always been driven by one constant, the shopper. Our industry constantly strives to keep up with the needs of the shopper through innovation of new products, new ways of working together, and now it seems, through technology. Consumer technologies now offer the shopper a personal concierge and connect people like never before.

As I reflected on the question above, I found myself sitting in my living room with three generations of my family all using their consumer device of choice. I realized these devices not only offer a way to communicate but change the way we connect as a society. Families now sit in the same room and interact through their devices. They also use these devices to customize information to answer almost any question: "Where can I find product A?" "Where can I find the lowest price on product B?" "What store can meet my specific shopping need?" "How can I customize this shoe or candy, just for me?"

As an industry, we have to accept this age of "There's an App for That" by recognizing anything goes and differentiation is king. Brand and customization matter, whether you are a retailer or a CPG manufacturer. It is essential to partner as an industry and individual trading partners to embrace the speed of change. Technology is now the key enabler to connect with the shopper and differentiate in the market. Those that embrace technology as an enabler of change will be the winners in the race for the killer app that captures the shopper.

ALAN LANGHALS

Principal
DELOITTE CONSULTING LLP

Emphasis for the CG industry in 2012 should focus on recapturing the confidence and wallet share of an increasingly complex consumer. The lasting impact of the Great Recession has created an even greater bifurcation of consumer segments (and buying habits), which is forcing manufacturers to make tough decisions on product composition, pricing and margin management, and promotional channels.

For example, at the low end of the income continuum, consumers still feeling the sting of the Great Recession have embraced frugality out of necessity. At the high end, more affluent consumers have not only embraced some common tactics such as searching for discounts, shopping across channels and embracing store brands to save, but have returned to purchasing premium products and selectively splurge on luxury products.

To address this, CG manufacturers will need to develop distinct product and marketing strategies for the unique and diverging consumer segments with value brands for the low end and innovation at the premium side. Manufacturers will also need to navigate multiple sales channels from traditional retail to the growth of dollar, discount and online channels — including mobile-enhanced shopping.

Finally, CG companies should continue to look toward technology innovation for a competitive advantage. By harnessing consumer access driven by mobile (and social and online commerce) technologies, CG companies can help consumers with the pre-purchase planning process, the in-store shopping experience and the ongoing post-purchase consumer dialogue.

At each intersection, increased insight and knowledge is available from the plethora of data being capture. Taking steps to interrogate and drive real decision insight will require significant investment in "Big Data" skills, concepts and technologies.

PAUL STRZELEC
President & CEO
DIGITAL TEMPUS

The capabilities and sophistication of the consumer has outpaced the capabilities of the typical CPG organization, especially with respect to a CPG company's ability to effectively segment and manage a portfolio of product and service offerings. Fact: 35 percent of U.S. adults own a smart phone and are using this multi-channel capability to pressure CPG firms for differentiation in product, service, and value.

CPG firms have attempted to address economic conditions with price increases and as a result, consumers are forced to make tougher choices about the products and services they choose to purchase. After all, consumers are in the midst of their own economic crisis and many do not have the means to spend at traditional levels.

In 2012, we expect this dance to continue. Companies should focus on the following capabilities to successfully manage this change:

• **Segmentation:** One-size-fits-all models are no longer good enough. Companies will leverage segmentation analysis capabilities and portfolio management skills to determine the appropriate strategy for specific situations that result in improved profitability and responsiveness.

• **Talent:** Expect a more balanced approach to improvement initiatives and ongoing capabilities. In the past, the emphasis has been weighted heavily toward process and technology. With a recognized talent gap, companies will have to increase the investment and attention paid to talent development to realize the benefits of initiatives and sustain the results.

• **Unity of Effort:** Increased and targeted engagement from commercial teams in the Integrated Business Planning process, especially as marketers and sales teams learn to embrace the increasingly blurry role of retailers and a more informed, digital consumer who will introduce new revenue opportunities and, at the same time, challenge an organization's ability to effectively serve the market as market dynamics grow.

TONY BENDER
Global CIO
ENERGIZER

2012 will be another challenging year for global CG companies. We're beginning to see signs that the global recovery is underfoot, albeit somewhat shaky due to Euro-zone fiscal instability. While signs of improvement are here, CG companies are constantly challenged to make quarterly numbers for "the street". Pressure to deliver improved results is ever present. Several key factors in the industry will drive investments in information technology in 2012:

• **CG Industry Dynamics:** Look around the CG industry. M&A activity is brisk. The big continue to get bigger through tuck-in acquisitions. There is also another interesting phenomenon occurring — bigger companies are carving themselves up into two or more companies to improve shareholder value. Take a good look at Motorola, Sara Lee, Kraft Foods, Fortune Brands and others. These companies have realized that their optimal value to shareholders is as two or more publicly-traded companies. We'll continue to see more of this industry dynamic, which drives critical information technology work to integrate and/or separate CG companies.

• **COGS & Product Pricing Strategies:** Raw material input costs are rising (agricultural commodities, oils, silicone, metals, etc.). The ability for an enterprise to manage these

costs has never been more important. It is not only essential to know how the input costs are trending, but how to negotiate superior pricing and quickly factor this information into your product pricing strategies. Strategic sourcing and dynamic pricing capabilities are essential.

> "CG companies are no longer setting the pace of innovation...Can they keep up with the blistering rate of innovation that drives high-tech companies?"
>
> — JIM CARROLL, FUTURIST, TRENDS & INNOVATION EXPERT

• **SG&A Cost Containment/Rationalization:** CG companies continue to look to reduce selling, general and administrative costs as a percent of sales or turnover by leveraging information technology and global shared services. Deployment of capital for information technology investments in 2012 will continue to focus on improving productivity by reducing labor costs and leveraging labor arbitrage with lower cost labor centers (India, China, Vietnam, etc.).

• **Organic Growth Drivers:** Driving organic top line growth will be essential for successful CG companies. Technology investments in new product innovation, interactive and social media and trade promotion optimization will help fuel top line growth and build healthy brand equity.

STEPHEN F. DEANGELIS

Founder, President & CEO
ENTERRA SOLUTIONS

I believe that the biggest change that will impact the CG industry this coming year is the use of "Big Data" analytics through rules-based ontologies. Businesses are not static, but unfortunately, the rules that we apply to our business from our IT systems are. Data volumes are growing, and the granularity of data presents an opportunity to Sense, Think/Learn, Act in real-time in an adaptive manner. Traditional data analytics are not always a good fit to deal with the changing velocity of data, the variety of data types, and the veracity of data sources. Based on the work that we have done with clients, we see that we can use these non-traditional techniques — especially for master data management and demand sensing — to harness data quickly and effectively. Today, supply chains have a rigid response. Through the use of different techniques, this can change. Rules-based ontologies will help companies to better utilize the burgeoning wealth of "Big Data" to sense and to drive more intelligent responses to market conditions.

JIM CARROLL

Futurist, Trends & Innovation Expert

There's a tremendous amount going on in the CG space, particularly with mobile, social and location. Packaging is about to become intelligent; the relationship that consumers have with products is becoming more interactive; the retail space is going to change in a huge a way as our cell phones become credit cards. Put that into perspective, and I believe that the biggest issue that people within the industry need to think about is the speed of change that is occurring. If you think about the context of these trends, what is clearly happening is that CG companies are no longer setting the pace of innovation; it's being driven at the speed of companies in Silicon Valley. Can they keep up with the blistering rate of innovation that drives high-tech companies? Can they respond fast enough to take advantage of opportunities or at the same time, ward off threats? A key phrase that I've been using for years is that "the future belongs to those who are fast." I think for 2012, this is going to be a defining success factor for every single CG company.

DON SCHEIBENREIF

VP, Industries Research, Manufacturing - Consumer Experience
GARTNER, INC.

The most important change we expect to impact the CG industry is the realization that responsibility for leveraging social media will have to go beyond a core group of social media practitioners, marketers, and marketing agencies and be integrated into every person's job description. CG companies will have to fundamentally rethink their organizational structures, the type of talent they need to handle these personal transactions (which could number in the millions for some brands), and the business decisions that need to be made with all the data being generated by social media. Dell provides one of the best examples of the impact of social

media on an organization. Since the launch of Dell Computer's Social Media Listening Command Center in 2010, more than 24,000 Dell employees have undergone social media training and 3,000 (from multiple functions) have been internally certified to use social media on behalf of the company. It has transformed that company for the better and it can transform CG companies. The opportunity for CG companies in 2012 is to start making this transition by establishing a clear purpose for social media in your company (beyond marketing), develop a comprehensive roadmap, and ensure that the broadest number of your employees can be part of that transformation.

BARRY LYNCH

Global Industry Manager
GE INTELLIGENT PLATFORMS

I would expect companies would need to increase supply chain agility to protect profit margin erosion from volatile raw material costs.

CPG companies have made steps forward on the sales side of S&OP, but there is room for improvement in the operations area, specifically around the integration of manufacturing operations with the supply chain.

Harmonizing production, planning and sales enables CPG companies to reduce costs and increase supply chain responsiveness. Downstream use of retail data to better understand short-term supply needs, combined with upstream use of operational excellence to drive predictable manufacturing, enables better planning of machines, people, raw materials and logistics — for optimized production.

Companies can attain predictable manufacturing by having tighter control of their manufacturing operations around raw material yield by SKU, maximizing asset utilization, reducing waste/rejects and minimizing inventory safety stock. The three main areas of improvement that predictable manufacturing delivers on include reduced manufacturing costs, recovered capacity, and the agility to respond to changing supply needs to support product innovation and ensure on-time shelf availability of products. In addition, it also provides manufacturing benchmarking, allowing businesses to optimize capital base costs across multiple sites.

A good starting point is to participate in one of the industry associations such as the GMA or PMMI to understand what best practices the peers in your industry are adopting.

DOM ALCOCER

Senior Marketing Manager
Founder, GlutenFreely.com
GENERAL MILLS

2012 will be a pivotal year in the advancement of metrics that prove the effectiveness of digital experimentation, marketing and solutions for consumers. We're entering an era like never before, where we can force executions to prove their worth and value, where Wanamaker's "half of my advertising doesn't work, I just don't know which half" adage is starting to fade. Moreover, Moore's law is kicking in with regard to the technological and the digital touch points available to us. Our planning cycles, and the resources that execute them, have to shorten in order to keep up with the pace of the consumer adoption of these solutions. Further, we must force ourselves to move beyond the quasi-metrics of yesterday and invent the actual metrics of today so that we can increase our throughput of experimentation, be comfortable with those that don't work, find the winners and scale them in a way that provides the most value for our consumers.

RICHARD D. HASTINGS, CCE

Macro and Consumer Strategist
GLOBAL HUNTER SECURITIES, LLC

It's the beginning of the end in 2012. We mean the end of chaotic complexity in merchandising and pricing and assortments in the consumer universe. Prior to 1995, the use of multi-dimensional views of real-time data, or of short-term data flows, was limited to a few firms in a few very privileged industries, including Wall Street, social sciences in academia and in engineering. All of this started to explode into the retailing industry in the late 1990s, laying the foundations for today's revolutionary effects in data modeling. A new world is really upon us.

It has become manageable for so many users on many levels of experience and expertise to obtain access to online analytical processing (OLAP), pulling complex pools of data from divergent operational areas (and from very non-local operating areas) and instantly filtering the data into various levels of relationships by customized fields of significance, thus creating cube-form analysis of OLAP data in highly multi-dimensional renderings. The chaos is rapidly disappearing, leaving a new world of structured

complexity in the consumer universe.

The impact of today's powerful analytical tools is being seen in new approaches to merchandising in dollar stores — now capable of competing with much larger retailers like Walmart — or in the new initiatives at Target stores and now JCPenney, pointing to profound simplifications in pricing and inviting smaller suppliers to participate in new approaches to merchandising. Other retailers are using new tools to analyze social media participants to generate intelligence marketing solutions with powerful, complex levels of customization. For many consumers today, complexity is rapidly disappearing into the background, providing a smoother and less volatile relationship between producers, brands, retailers and consumers in 2012.

JEANETTE CARTER

VP, Integrated Marketing
HALLMARK CARDS INC.

It's an exciting and challenging time for marketers as consumers have embraced digital, mobile and social technologies to connect, play and shop in new ways. It requires all new ways of working to complement a brand's core equities, competencies and capabilities that are still critical, but no longer sufficient, to drive sustainable growth.

In this dynamic landscape, Hallmark believes it's more important than ever to stay centered on our brand purpose — to inspire meaningful connections that enhance relationships and enrich lives. With the plethora of social, digital, technology and mobile opportunities available, a company's brand purpose provides both the inspiration, and filter, for where to play to maximize impact, consumer engagement and resource utilization. It's not about jumping on the next technology because it's new; it's about using technology to add value to the consumer and deliver your brand promise. Below are a few examples of how Hallmark is doing that:

> "It's not about jumping on the next technology because it's new; it's about using technology to add value to the consumer and deliver your brand promise."
> **— JEANETTE CARTER, VP, INTEGRATED MARKETING, HALLMARK CARDS INC.**

- **Product Innovation:** Recordable Storybooks that allow consumers to record their voice into children's classic stories, keeping parents and grandparents connected with loved ones across the miles and across generations.
- **Social Media:** Leveraging the significant content, brand trust and emotional insights embedded within our core business to add value to consumer-led conversations through our owned and earned social spaces.
- **Database Reinvention:** Shifting from a database built on analog purchase history triggers to one that delivers relevant news, reviews and solutions to consumers based on her flow of life and emotional needs throughout the year.

LARRY DANNA

VP, Global Consumer Products Practice
HCL AMERICA

If you have been reading the news crawl on your laptop, the alerts on your iPhone, or the stories on either network or cable news as you fly through airports, you are beginning to realize the utterly dramatic and rapid changes impacting every corner of the globe. A week does not pass without a least one major event that has truly international implications… countries falling militarily, financial systems crumbling, downgrades of credit never thought possible, the use of handheld technology to spur a revolution, and hundreds of millions of consumers coming online that change how we remake brands and relate to a new, global consumer. All said, the biggest change in 2012 will be the pace of change to which global CG organizations must react. And get ready; this will accelerate in 2013.

The response? Laser focus on building predictive and analytic capabilities that are wedged into your processes and systems and only take weeks to implement with no big organizational changes. Your competitors are doing it right now:

- Identifying the three process/system "touch points" that will improve your "on-time, in-full" KPI 25 percent;
- Merging unstructured market and consumer insights, months before competition, to feed NPD with the next $100 million brand in developing markets;
- Improve reported cash flow and share price by uncovering two break points in your deductions management/pricing processes.

Business-aligned IT and processes, that are predictive, that help organizations see opportunities before consumers and competitors… that is the response to the pace changes we cannot predict if gaining competitiveness, share and margin is the end state.

DAVID TAYLOR

Director, Global Sales Systems CoE
THE HERSHEY COMPANY

Consumers across the globe today are technology savvy, socially conscientious, financially sensitive, and make discerning purchases based on their value orientations. Maintaining relevance requires CG organizations to both understand and adapt to the broader "consumer intellect."

Understanding consumers is achieved by gaining insights. Deriving insights challenges companies to strengthen their intellectual capital and leverage technologies — demand signal repositories, "Big Data" processing, robust analytics engines, cloud solutions. By making strategic investments in insights-enabling technologies, CG companies are building the knowledge capabilities for immediate returns in 2012 as well as driving strong performance for the upcoming decades.

Adapting insights to drive growth results is essential across the entire enterprise. Collaboration with retailers improves trade promotion investment, shelf planning and product portfolio. Social media analysis permeates into marketing for the consumer demand landscape as well as product innovation. Manufacturing and distribution metrics are the foundation to an overall efficient supply chain. Human resource analytics enables companies to align internal talent to support strategic efforts. All of these woven together are foundational for CG companies to differentiate themselves against their competitors and to their customers.

So it may be cliché, but if the only constant is change, then build capabilities in making the most of change. Companies must continuously balance running... growing… transforming… their business. Regardless of that mix now or in the future, intellectual capital delivering actionable insights enabled by technology is the key to driving positive performance.

DAVID WECHSLER

SVP, Consumer Products Industry Management Consulting
HITACHI CONSULTING

While there are some market indicators that the economy is recovering, 2012 appears to be a year in which leading CG companies will try to adapt to the emerging strength of the 21st century's global consumer. Intense competition for limited consumer dollars across newly developing demographics is leading to increasing power of consumers and decreasing effectiveness of traditional retail strategies and tactics.

The use of maturing social media tools has global consumers talking, writing and listening to feedback from one another on their product and service experiences. In 2012, it would not be unreasonable to expect consumers to figuratively wrestle control of brand and product development away from corporations and into the hands of the consumers themselves. Leading manufacturers responding to the development have already begun to align their strategies to this change in the consumer environment by adapting to allow consumers to not only participate, but to actually drive the conversation which will help create future products. Additionally, successful companies are preparing to invest heavily in building global scale along every part of the value chain, including research and development, marketing and sales, procurement, manufacturing and distribution.

While CG companies may prefer to stockpile money and remain cautious about new initiatives, retail and manufacturing executives are facing a new era. Intense competition, combined with selective consumer spending, will continue to place increased focus on product innovation, quality and consumer intimacy for those retail and manufacturers that intend to stay ahead of the competition.

STEPHEN BROWN

Consumer Products Industry General Manager
IBM

Global integration, networked technologies and the data explosion are fundamentally changing our world. These changes are altering the dynamics that shape the consumer products industry. Managing the ever-expanding data available about the consumer is the next great challenge — and opportunity — for consumer products companies in 2012.

So why does this matter? The lack of integrated information has significant business performance implications for our industry:

1. The companies that understand the highly fickle, increasingly informed, global consumers faster win.

2. The companies that understand the growth markets faster win.

3. The companies that connect the consumer and the growth markets together will be the biggest winners.

And how can consumer products companies achieve

these goals? There are myriad of ways to accomplish this. Some are as straightforward as:

- Leverage global downstream data and DSR solutions to do forecasting at the retail distribution center level
- Generate localized forecasts that can be an input to VMI and can be leveraged for demand planning or for capacity visibility
- Harness the insight coming from shelf (and particularly trade promotion execution insights in growth markets) to get detailed visibility of upcoming demand and link the downstream demand to supply plans
- Utilize social media information as another demand signal to drive operational improvements
- Develop a weekly base sales level by store/channel by day and apply parameters that flag abnormally low or high sales

These tactical efforts driven by execution of a strategy that integrates the retailer/supplier ecosystem will help ensure profitable growth.

SIMON ELLIS

Practice Director, Supply Chain Strategies; BOVC
IDC MANUFACTURING INSIGHTS

We're predicting that social business will drive significant change as CG manufacturers look for ways to strengthen their financial performance, their brands, and most importantly, their relationship with the end consumer.

We believe that 2012 is going to be an "inflection point" for how manufacturers interact with the end consumer, especially given the increasing tensions between retailer private label and manufacturer direct-to-consumer.

Consumers are looking for value in the current economic climate; manufacturers want to connect better with their consumers, whether to sell direct-to-consumer, promote their brands, or create a relationship that exists pre- and post-sale. For most CG manufacturers, they expect to establish a brand-driven dialogue, but leave the transactional relationship to the traditional retail outlets. Social media technologies and tools are the enablers for a social business approach, but just because we use the word business, we don't mean transaction.

We suggest that manufacturers invest now in using social media to attract and educate existing and prospective customers, for pre-sales inquiries and post-sales service, and for supporting loyalty-building activities, like sharing recipes or ratings and reviews. We also suggest that manufacturers make sure they understand that social media should influence how they do business.

Social business is not just about sharing information with consumers or even polling consumer sentiment. Social business can mean changing plans — whether introducing a new product that wasn't planned, or even pulling a product from a market. And by all means, manufacturers should not underestimate the ubiquity of social media.

ARUN RAGHAVAPUDI

Associate VP
INFOSYS

There are signs that the world is slowly recovering from a deep recession. Developed markets are showing signals of a sustained recovery. Emerging markets are charting the path for growth for a lot of CG companies. However, these are unprecedented times, and I expect the industry to continue their cautious optimism and carefully considered investments. There are several factors and trends that will impact this industry in 2012.

Many companies will continue to re-structure themselves, shedding brands and divisions and adding others. These will not necessarily be to build scale but for capability and skills building. M&A activity in the industry is slowly taking off, though not yet at its peak. Consumer markets globally are more accessible than ever before but require a different set of capabilities and high degree of local market customization to take advantage of.

Leading consumer product manufacturers, like Kraft Foods and Sara Lee, are reshaping their portfolios to better build and deploy the systems of capabilities that make them distinctive.

We will also see sustained inflation, fueled by prices of fuel and commodities. This will have the following implications: Pricing will become a factor in developed markets as customers will resist an increase; market/segment leaders will be able to drive pricing in the market; pricing review on a weekly/fortnightly basis will become a work culture; value growth will surpass volume growth and we will see growth at the bottom of the pyramid.

Global leaders will apply learning from developing/emerging markets affordability to widen the portfolio/manage profitability in Developed markets. In addition, CG companies will invest in digitizing their value chains to gain better visibility along the edges of their enterprises, and this will increase their abilities to better execute in their globally diverse markets.

CHERYL PERKINS
Founder
INNOVATIONEDGE

From my perspective the biggest change hitting the CG industry in 2012 will be the slim financial resources that have been earmarked for innovation. More innovation leaders will find themselves growing weary under the fatigue of tighter budgets and uncertainty as the economic burdens grow heavier. The uncertainty of the future will cause some to table plans for growth, while others will pursue new strategies and develop partnerships to capitalize on the trends and customer needs that true innovation can fulfill.

Is this a time for conservative thinking? Consider that in an era of little or no tolerance for failure in any industry, fear can close doors of opportunity and shut down the pipelines of new product solutions that are waiting for funding. But for the forward-thinking strategists who are able to see beyond the forecasts and spreadsheets, there is a glimmering hope for new ways of creating and delivering solutions on a shoestring. For these, it is the economic slump that will be the catalyst that propels them and their organizations along new pathways.

You might not see the disruptive or game-changing innovation efforts on as wide a scale as you did a few years ago, but you will see a concentrated push on the incremental efforts that will separate those who will advance from those who do nothing. Look for the Fortune 500 companies to continue to hone in on the cost savings and continuous improvement efforts that build efficiencies and slice away at awkward or unnecessary processes.

> "More innovation leaders will find themselves growing weary under the fatigue of tighter budgets and uncertainty as the economic burdens grow heavier."
>
> **— CHERYL PERKINS, FOUNDER, INNOVATIONEDGE**

As for customer engagement, we'll continue to see unique ways that crowdsourcing and social media platforms are used to find opportunities to deliver better and more cost-effective solutions, ones that end users will gravitate to in 2012. And for those companies who can't produce total solutions, look for more open-source partnerships to become the norm as a way of doing business with resources beyond the companies' brick and mortar walls.

DAVID JOHNSTON
SVP, Manufacturing & Wholesale-Distribution
JDA SOFTWARE

The hyper-connectivity of consumers and a consumer-centric retailing environment will bring about supply chain rethinking to the CG industry. In today's digital world, where real-time information is readily available to almost everyone, consumer-buying behavior is influenced less and less by the retailer or brand owner. Instead, the consumers themselves through access to a wealth of product information — including design ideas, reviews, availability and price — drive market trends and product demand. To compete and thrive in the consumer-driven environment, retailers and CG manufacturers must collaborate differently than they have in the past. They must quickly and profitably respond to the choices that consumers make at the shelf and across all buying channels. This has prompted the emergence of a new trend: the shelf-connected supply chain.

Driven by the need to serve their customers in the best way possible at the lowest possible cost, manufacturers and retailers must embrace collaborative planning at the point of influence and point of purchase. CG companies are adopting new technology and processes that connect the selling point (from any channel) to the entire supply chain, enabling them to develop localized assortments, shorten cycle times, set profitable flow strategies, reduce inventories, trim costs and improve product availability. This collaborative partnership between CG and retail industries, based on shared knowledge, shared risk and a synchronized, consumer-centric channel strategy, will enable both sides to respond — and capitalize — on consumer trends as they develop and change more frequently.

MIKE FRIEDMAN
Principal
KALYPSO

The accelerating impact of mobile devices will significantly change the CG industry. E-book readers have reshaped the printing industry in an unbelievably short time. Mobile phones and the thousands of apps are changing our lives. This trend will speed up the creation of innovation platforms in new services, business models, products and behavior change.

1. New services and business models from mobile de-

"To support accelerated growth, key business processes will change — and information technology will need to enable them." — MARK THOME, VP, IT, DAIRY FOODS & SUPPLY CHAIN, LAND O'LAKES

vices will continue to create significant disruption. Cost of entry can be surprisingly low, with outsourcing and partnering opportunities throughout the value chain enabling many smaller companies to enter the market, fast. Quirky.com is an example of what's possible.

2. Mobile devices are products in themselves, but will also enable new products that otherwise would not have been possible. An example is the development of a urine analysis device; distributed in areas where there are no doctors; used by the sick person; who then takes a photo of the analysis; sends it to a remote service center and gets back a treatment recommendation.

3. Changing people's behavior to adopt a new innovation is a huge challenge. Experiments using mobile devices remind people to take their medicine have shown significant results in improving compliance.

What should companies do about it? Make leveraging mobile devices part of your innovation strategy.

1. Make this a strategic bucket, with expectations of performance and investment across the innovation lifecycle — front end, development, commercialization and post launch.

2. Encourage many strategic experiments within the mobile innovation strategic bucket.

3. Relentlessly measure, analyze, understand and reapply.

4. Learn a lot, fail cheaply and hold people accountable for delivering results in market.

MARK THOME

VP, Information Technology
Dairy Foods & Supply Chain
LAND O'LAKES

As an agricultural cooperative and major food producer, our farmer-members have a role throughout the entire food chain, literally from farm to market. As a food supplier, we take seriously our role in providing taste, wholesome nutrition and convenience for consumers and commercial customers. Also, as the caretaker of a top U.S. brand (Land O'Lakes was recognized in 2011 as one of America's Greatest Brands by the American Brands Council), we recognize the importance of maintaining trust and providing value for our customers and our owners.

Going forward, a key challenge for Land O'Lakes will be achieving strategic, profitable growth. In the last five years, we have built a strong balance sheet and greatly improved our working capital position. At the same time, we strengthened our core brands. Now we need to repeat that level of success.

Driving accelerated growth will require talented and dedicated people. In some cases, it will require us to adjust our business model. And it will require gaining the most value from every dollar of working capital.

To support accelerated growth, key business processes will change — and information technology will need to enable them. As we come to the end of an information technology modernization journey at Land O'Lakes, we are well positioned. We are confident the foundation we are completing will enable us to support the aggressive business growth the organization is pursuing.

KARIN BURSA

VP, Marketing
LOGILITY

From consumers to manufacturers and everywhere in between expectations are rising at a rapid pace. In November and December of 2011, consumers spent more than $35 billion online. This online shift has led to a high expectation of visibility, to know at any time, "Where's my stuff?" CG supply chain professionals should have this same visibility with the ability to visualize the current status of forecasts, orders, new product introductions and inventory flow to answer important questions such as: "How are we performing against our financial goals, customer service targets, and product forecasts?"

With increased visibility comes the opportunity to be proactive against future challenges. Advanced modeling capabilities allow your company to understand current conditions, evaluate alternate scenarios, investigate the root causes and intelligently respond with a high-degree of confidence.

For example, if a current supplier bids on additional business and presents what looks like a compelling cost proposal based on sourcing from its Asian operations, how does this impact your lead times and inventory requirements? Is the total landed costs compelling when you consider the need to increase component inventory to

make up for time lost in transit? Would the change impact your ability to provide the desired service levels? What's the bottom line — is it a good business decision?

As CG companies expand into new markets and new product categories, the ability to model and understand the supply chain impact is critical. A missed opportunity allows your competition to gain the upper hand. Success requires a proactive approach that moves beyond traditional rule-of-thumb inventory strategies. You need to model your business and increase end-to-end supply chain visibility that will take you to the next level — ahead of your competition.

RANSOM STAFFORD

President & CEO
LUMIDATA

Economic uncertainty continues to fuel the consumer's desire to make an informed purchase. Whether they're chasing value, quality or price, consumers will continue to utilize a wide variety of digital channels — at home, on the road or in the store — to gather the information they need to make a "smart" purchase. The challenge for retailers and suppliers alike is to be just as "mobile" and informed as consumers in order to drive brand and store loyalty.

- Retailers will increasingly rely on retail teams' POS data analysis to help them aggressively compete against online retailers, offer consumers the value they seek and differentiate themselves in a highly competitive and low-consumer-confidence market.
- Business intelligence technology will be the critical factor in helping suppliers differentiate their brands and optimize the global supply chain while serving their respective cross-channel retailers.
- Suppliers will increasingly utilize cloud-based business intelligence technologies that allow them — like consumers — to access and process the information they need no matter where they are.
- Cross-indexed POS data will allow retail teams to reassess accepted store profiles — allowing suppliers and retailers to better meet consumer demand in varied consumer markets.

Most importantly, suppliers will need to utilize business intelligence technology to share POS insights across the enterprise — aligning supply chain, marketing, and retailer metrics at both the retail team and executive level. That, ultimately, will provide actionable insights that improve a supplier's ability to plan, respond and drive demand in a profitable manner.

JERRY WOLFE

CIO & VP Supply Chain Strategy
MCCORMICK AND COMPANY, INC.

The changing shopping behavior of the connected consumer has the potential to be seriously disruptive to the CPG industry as a whole in 2012, and thereby creating both opportunity and threat alike. Seeking appropriate influence in the digital path to purchase (DP2P) is important to both brands and retailers. Consumers want and expect personalized information and assistance to navigate inspiration and consideration through to purchase. The tendency to preplan shopping trips sets the stage for the disruptive impact of digital.

DP2P is much more than a discussion of how to leverage digital tactics such as web sites, apps and social media for consumer engagement — think brand as service. Consumers are seeking solutions wrapped in an experience. This creates a fantastic opportunity for brands and retailers to collaborate in innovative ways to meet consumer needs through virtual (digital) means, such that the in store experience is enhanced, as well as, the potential of e-commerce is maximized. At stake is nothing short of consumer loyalty, share and growth.

> "Digital path to purchase is much more than a discussion of how to leverage digital tactics such as web sites, apps and social media for consumer engagement — think brand as service. Consumers are seeking solutions wrapped in an experience."
>
> **— JERRY WOLFE, CIO, VP SUPPLY CHAIN STRATEGY, MCCORMICK & CO.**

What happens when low return trade dollars migrate to highly personalized offers to consumers or when social media capabilities are used to support consumer decision making based upon what friends and people like you think? For the brands, 2012 is the year to get beyond media mix and silo initiatives and connect brand marketing, shopper marketing, insights, IT and supply chain in new ways to drive growth. DP2P has the potential to create a disruptive and positive impact on the CPG industry just as supply chain did over the past 20 years — perhaps even larger (certainly faster).

RONALD E. VEIDERS

Integrated Marketing
Associate Manager
MENTHOLATUM

We believe the most important changes that will impact all businesses are digital and social media growth. Specifically, how the consumer has fractured their touch-points and created an environment where multi-screen marketing is not happening via mutual exclusivity, but congruently. Statistics show that while TV is still the most impactful way to communicate with the consumer, those individuals are now using laptops, smart phones and tablets in tandem. Brands that learn to integrate digital media to supplement their traditional advertising spends will be the ones that succeed moving forward. Those that evolve with emerging trends and technologies as well (smart phones, smart TVs, Hulu proliferation, etc.) will be able to capitalize on the ever more distracted consumer. The key to understanding this is that there is no "silver bullet" for any touch point. View them all as pillars in a much larger marketing world (where new pillars are emerging every day). Understanding your consumer is critical. Psychographics will be integral to ensure the right mix of traditional versus digital media. This change can also help you integrate user-generated content. Social media allows for your message to be shared quickly and efficiently to key demographics. Cultivating your users to become brand ambassadors by creating reviews, discussing your products, creating usage videos and sharing with their friends will help only your brand. This ensures that when your TV ad is playing, the impression isn't lost on that "distracting" technology in their hands.

NAVEENA KL

Program Director
CPG & Manufacturing IG
MINDTREE LTD

In the highly competitive value chain, CPG organizations need to seamlessly collaborate with customers and engage the consumer. To achieve this, mobile solutions are becoming a key propeller by bringing CPG organizations closer to customers and consumers in terms of reach and availability.

• **Collaborate with Customer:** During 2012, we believe that CPG organizations will focus on mobile solutions to enable collaboration through transaction enablement and decision facilitation. Transaction enablement would allow the subset or whole of ERP and other transactions available on mobile. Decision facilitation helps field personnel, like sales and service teams of CPG organizations, to make decisions while on the move based on analytic insights, KPIs, workflows, etc.

• **Engage the Consumer:** During 2012, we believe that CPG organizations will further strengthen innovation in mobile marketing and the m-commerce space. Mobile marketing through mobile apps, ads, games and promotions allow CPG organizations to attract, acquire and engage the consumers directly. M-commerce, coupled with a loyalty management platform, will enable consumers to make buying decisions compelling.

At MindTree, we believe that for mobile enablement to become successful CPG organizations must focus on:

• Enabling the key transactions on mobile, keeping in mind the usability factor and connectivity

• Empowering field personnel of CPG organizations with the all the information required to make decisions for a shorter execution cycle

• Selecting the most appropriate mobile marketing medium and measure the success

• Having a flexible m-commerce application, which will scale up to accommodate the ever-changing needs.

STEVE SIGRIST

VP, Global Sales Operations
NEWELL RUBBERMAID

There are several trends that are coming together to radically change the shopping experience. Consumers now have access to an ever-growing amount of information on products, services, retailers and manufacturers. They now have skills in searching and analyzing multiple sources of information to provide themselves with the best insights on prices, quality and retailers.

Due to these rapidly moving and evolving trends, retailers and manufacturers must continue to evolve their business models. Multichannel marketing, retailing and fulfillment are required to meet the consumer's shopping experience expectations. The next generation of physical retail stores and e-commerce experiences are being tested today: Smaller footprint stores that are inviting and allow the consumer to browse and shop in a relaxed environment; same day delivery of products bought in e-commerce stores; and niche-focused e-commerce experiences that range from high-end luxury goods to beautiful flash sales sites that offer high-quality products at great prices.

The complexity of consumer touch points makes it imperative that retailers and manufacturers partner together

to deliver the best products, services and shopping experiences. At Newell Rubbermaid, we are enthusiastic about the increasing number of occasions we have to move beyond simply providing our trade partners with product to sell online and, to instead, strategically collaborate with them on multi-channel growth platforms.

CASSANDRA MOREN

Senior Director, CG/WSD Industry Marketing
ORACLE

More than ever, today's consumers shop across channels, including retail stores, web sites and catalogs. With the advent of social media, CG manufacturers are increasingly developing integrated, cross-channel strategies to ensure that consumers are engaged by the proper brand experience at every touch point. Consequently, CG manufacturers are starting to adapt much like retailers have with investments in innovative technologies and processes to build the infrastructure to support the market demand.

> "Companies that do not invest in developing informative and engaging digital content, in the places consumers are looking, risk alienating consumers."
>
> **— RANDY ZAGORIN, DIRECTOR, N.A. CONSUMER BUSINESS TECHNOLOGY, SALES, STRATEGY & OPERATIONS, PFIZER CONSUMER HEALTHCARE**

Oracle's research on the state of direct-to-consumer initiatives in CG, conducted by the Economist Intelligence Unit (EIU), found that CG companies are increasingly experimenting with new ways to establish and enhance their direct, two-way relationships with target consumers. Over the next year, CG companies plan to leverage social media for a broad range of marketing activities, including product promotion (74 percent), capturing consumer feedback (63 percent) and customer service (62 percent). Respondents believe social media is growing in importance as a tool to increase consumer loyalty, with 33 percent saying that social media participation will become a top priority in the year.

In addition, the survey found that the use of social and mobile channels are increasingly helping CG companies become more comfortable with the direct-to-consumer selling model, with the number of companies selling products directly to consumers expected to increase from 24 percent to 41 percent over the next 12 months. Despite the growing social and mobile marketing trend, survey respondents see e-commerce efforts as complimentary to existing retail channels, but are committed to expanding direct-to-consumer strategies.

As 2012 gets underway, we are seeing that more CG companies are exploring ways to integrate social media and mobile into the marketing mix as well as step up their efforts in e-commerce. In today's highly competitive global economy, it is critical that CG companies take advantage of every touch point with the consumer.

SCOTT RUSSELL

Solutions Executive – Consumer Products Industry
PERFICIENT

2012 will be the watershed year when mobile technology becomes the pervasive form of information sharing across the CG value chain. The rise of tablets and increased capabilities of personal mobile devices has changed expectations for accessing and presenting information, and it will fundamentally change how CG sales and service organizations engage with their retailer trading partners.

This transformation places a premium on the immediacy of information. Your sales teams must have the most current information and analytics to support customer buyer decisions, and buyers have come to expect real time, accurate and actionable information to support their businesses. Merchandisers will be able to make more intelligent decisions about stock levels and leverage tablets to transform their role in the organization. Companies that fail to put the right up-to-the-minute data and analytics in the hands of the right people will simply be left behind.

Players in the CG value chain will have to move rapidly in 2012 from pilot to adoption of mobility to remain ahead of the curve and their competitors. Mobile solutions like tablet-based retail execution, digital sales collateral (which we have dubbed "the Electronic Binder"), and predictive analytics that mine more frequently collected data will drive significant change for all parties in the CG value chain. This transformation of how information is used in the industry will drive both the efficiency and effectiveness of sales and service organizations and their corresponding retail partners.

FILIZ YAVUZ

SVP of Business Process Engineering
PERRY ELLIS INTERNATIONAL

The biggest change that I expect to see in 2012 in the apparel and retail sector is the use of maturing mobile technologies to get closer to the consumer. As challenging and unpredictable the retail environment is even from one week to the other, like we saw after Black Friday in 2011, there is a way to get closer to the consumer through multiple channels and capture the "decision point" that will trigger a purchase at a given time period in a specific location. It is interesting to see that consumers will buy goods at full price even in a very promotional environment if they see the value in the product.

Being able to capture the attributes that will produce a purchase and building future product assortments that will cater to the consumer's personalized selection criteria are the challenges that we are taking on at Perry Ellis. There are many technical mobile and social platforms that are being evaluated by our retail technology group, and pilot programs are being planned in mobile points of sale, mobile loyalty, item-level RFID and several other initiatives that tie them together. If connected properly to a CRM platform that has social and mobile KPIs, we think we can enhance the consumer data that we work with to increase the productivity of the multiple brands that we manage across the entire cycle.

RANDY ZAGORIN

Director, North America Consumer Business Technology - Sales, Strategy & Operations
PFIZER CONSUMER HEALTHCARE

Mobile technology is radically changing the way that consumers research, shop and purchase products, with smartphones being used to search product reviews and compare prices while shopping in retail stores. Looking forward, this changing environment brought about by the widespread availability of product information at the point of purchase will challenge retailers and manufacturers to develop digital strategies and the technical capabilities to build relationships with consumers.

The mass adoption of mobile technology will necessitate digital strategies that go beyond social media, e-commerce, and brand web sites. The "new" digital strategy needs to address how companies will achieve a consistent brand experience across all touch-points, whether online or in store. Companies that do not invest in developing informative and engaging digital content, in the places consumers are looking, risk alienating consumers.

This new environment will challenge manufacturers and retailers to offer more information on product benefits and a compelling reason to purchase. Retailers will need to offer more robust digital and mobile content to their shoppers or risk losing customers to other channels. Manufacturers will have to expand their marketing efforts beyond brand communications and partner with retailers, online communities, and search engines to engage consumers where they choose to shop.

This environment presents a tremendous opportunity for those who are able to better understand how consumers shop. Leveraging these tools, manufacturers and retailers will be able to deliver personalized information for consumers with the right assortment of products, pricing and promotions tailored for the digital world.

LOUISE ALLEN

VP of Product Management
PLANVIEW

Current research and trends show that 95 percent of all new products fail. Imagine the billions and trillions of dollars lost in time and resources as a result. Even the titans of the consumer products realm have had huge flops recently. Leading companies want to innovate, but mitigate the risk of over investing in a future failure.

After extensive collaboration with our CG customers, we've heard the message loud and clear that companies are in need of tools to appropriately align product investment with corporate goals. And they are challenged every day to weigh the benefits, risks and potential of new products. Product portfolio management solutions, which automate the ideation process and provide transparency into the true cost of product development, are becoming an important solution for product developers.

The best ideas need to be captured, and the alignment and value of innovation needs to be clear and understandable.

Consumer good companies are working to understand what consulting, technology and other tools can do to drive innovation. For 2012, we're going to see more companies more strategically invest in their cultures and process of innovation. No one is taking it for granted any more.

"In the past, it was the largest, then the quickest that won. Today and tomorrow, it will be those with the most effective and truly collaborative networks."

— JEFF WEEDMAN, VP, GLOBAL BUSINESS DEVELOPMENT, P&G

TIMOTHY A. MCCREERY

VP Sales & Marketing - Retail
PRECISION FOODS, INC.

Have you heard the story of how you can say something one time and ask 10 people around the room what was just said? 2012 will be a year of the "voice of consumer". More so than ever we are realizing how empowered the consumer has become utilizing the different sources of communication be it internet web sites, smart phones in store, social media or companies consumer affairs support mechanisms. Instantly, the consumer can learn about your product and in turn share their thoughts on a worldwide basis. In a matter of moments, consumers can learn about your product performance or lack of performance and all of this is coming from arguably the most trusted source — a network of alike people. In today's world, if a consumer is dissatisfied with the company response they can "level the playing field" or as well build up your product by opening up blogs, creating e-mail chains and or what use to be the most common — telling 10 of their friends. Now, 10 of their friends permeate into a global group of friends instantly. I can promise you that right now someone is talking about your brands somewhere and hopefully positively! Companies now more than ever need to consider how they are managing their position in this age of the "voice of the consumer". Now more so than ever, the voice the consumer needs to be one they understand clearly and simply.

JEFF WEEDMAN

VP, Global Business Development
PROCTER & GAMBLE

Future growth, future success will be driven by collaboration. Looking ahead one year, five years, even much further, there is no mistaking that the individuals and the companies who are the best connected will move ahead faster and deliver better results. The key is to begin building networks, connections and partnerships now, and promote an internal culture that will foster such collaborative relationships. Because it's from that fertile ground of additional resources and expertise that future growth — and innovation that we can't now even anticipate — will grow.

At Procter & Gamble, we once looked to invent our own solutions and protect all our technology. In time, we saw that this was actually hampering rather than nurturing our own innovation. When we opened our doors to external partnerships, we opened ourselves to new ideas, processes and solutions. Our P&G Connect+Develop program, now marking its 10-year anniversary, has linked us with companies, universities, governments, entrepreneurs and even some competitors on really game-changing projects. The result? Our partners are helping us — and we're helping them — deliver life-improving innovations to people all over the world, faster and with greater efficiency than if we'd continued to go it alone.

Partnerships are not always easy. They require a dedication and a human touch and trust that goes beyond a contractual relationship. But the results can be so much more. It's an investment. But one that is no longer optional for future success.

In the past, it was the largest, then the quickest that won. Today and tomorrow, it will be those with the most effective and truly collaborative networks.

BETH BORLAND

Director of Retail & Consumer Strategy
PTC

Today the retail industry is undergoing a major evolution as private label products are becoming more prevalent. Private labels are very attractive to retailers because these products can boost gross margins.

With this shift come new challenges of delivering the right products, at the right price, at the right time. In addition, retailers have to build brand loyalty for private labels, manage assortments of branded products and private labels, support multiple product development processes and develop product development teams. As a result, leading retailers are turning toward product lifecycle management (PLM) to enable the product development and sourcing processes to include supply chain collaboration.

Whether a retailer's private label brand is designed in-

house or sourced, more advanced, streamlined PLM functionality allows for better merchandise planning, sourcing, quality assurance, and compliance and supply chain collaboration.

HARRIS FOGEL
President
QUOFORE AMERICAS

The desire for actionable data on demand — anywhere, anytime — will become mission critical for the CG industry in 2012. Whether it is shopper marketing data, social media/networking, consumer insights, POS-related data, promotional details/compliance, or SKU-level sales by store versus the competition, the desire to have data at your fingertips is more prevalent now than ever.

The challenge of serving up data to the plethora of mobile devices (iPhones/iPads/Android smartphones/tablets) — particularly if companies want to implement a BYOD (bring your own device) strategy — will make this a dynamic and exciting space for the coming year.

So, what to do? While there is no silver bullet, there are a few practical steps to take in preparation for the convergence of back office, front office and consumer marketing on a mobile device. Understand the data elements that need to be accessible in order to drive the business in the field. What data needs to be communicated back to the head office and amongst the mobile workers to ensure optimal productivity? Focus on the key data elements necessary to break down silos in the organization and provide visibility to help drive immense productivity. Think immediate access and consumption — driving actionable data and insights at the point of sale. Think long term as well in the deployment of a mobile framework so that it can morph and adapt as your business needs change throughout the organization.

JON GOLOVIN
Chairman & CEO
RETAIL SOLUTIONS

2012 is the year retailers and suppliers finally operate a single value chain, from the supplier's factory to the retailer's shelf. With both parties using the same data (downstream data, shopper insights and social media data), boundaries between retailers and manufacturers are blurring. Both understand that a joint focus on better serving the shopper, growing sales, fighting promotional fatigue, winning the availability battle, and finding sources of sustainable differentiation in this highly competitive market is the key to success. Collaboration beats the sum of individual initiatives.

For manufacturers, this is either referred to as customer centricity (from the sales and marketing angle) or as shelf-back operations (by supply chain visionaries). Both taglines infer the same evolution, an enterprise-wide drive toward a better understanding of shopper/demand signals. To successfully collaborate, customer teams must speak the same language as their retailer customers and use the same data. Supply chain teams need to operate more transparently, sharing store level data to drive on-shelf availability rather than DC service levels. Rather than replicating last year's promotional plan, retailer and manufacturer marketing teams need to work jointly to design promotions that generate incrementally.

This evolution requires a completely new set of tools for CPG companies. The leading companies in the industry are already equipped with solutions to leverage downstream data, the enterprise-wide foundation needed to build customer centricity and collaborate. This platform enables this mindset change. Tomorrow's leaders will be the ones who move fastest to gain the competitive advantage from downstream data-based retailer collaboration.

SARAH MEYER
Trade and Customer Marketing Manager, Consumer Brands Division
RICH PRODUCTS CORP.

The biggest challenge I see in 2012 in the industry as a whole is margin compression. Commodity markets continue to be volatile. This, along with limited opportunities to take price given the obvious state of the economy and resulting constrained budgets of shoppers, will continue to create pressure on margins. Cost to serve and retailer margin are two areas that typically get attention in this situation.

It is during challenging times such as this, that companies can get creative to manage this issue.

One way that Rich Products Corporation is mitigating the risk of margin compression is by creating efficiencies to improve the value proposition to our customers. We are leveraging a trade promotion management process and technology transformation to accomplish this. Through this initiative, we expect to more efficiently forecast and execute our most effective promotions. This

will in turn allow us to offer more value to our customers and ultimately help offset the impact of increasing costs to our business. More accurate forecasting will allow for better order fill rates and higher customer service levels, which will manage overall cost to serve. Reporting and scenario planning capabilities coming out of the trade transformation initiative will allow for us to better evaluate promotional opportunities and create the most effective plan with our customers that are mutually advantageous. Creating these efficiencies will put us in a position to ease the impacts of commodities as well as offer value to our customers.

DWIGHT MOORE

Senior Industry Director, Manufacturing and Retail
SALESFORCE.COM

The shift to the social enterprise is the most important change impacting the CG industry in 2012. We are amidst a social revolution. Consumers are in control, empowered by social and mobile technology. Your employees use this technology in their lives outside of work and are increasingly demanding to be empowered with social technologies at work.

To best ensure success in 2012 and beyond, companies must embrace the social revolution and transform their own organizations into social enterprises. A social enterprise begins with a social customer profile: a holistic view of the customer (consumer or retailer) that enables your company to know them best and offer the products or initiatives you know they'll love — in short, to delight them.

Next, companies need to empower their employees by allowing them to collaborate more freely in the context of their work (beyond the confines of e-mail) via employee social networks as well as provide them the mobile applications they need to be more productive. The companies that do this will be able to access, hire and retain the best talent.

At the same time, consumers are giving brands permission to engage them directly in dialogue via social networks, like Facebook and Twitter. Brands should listen to and engage via social media to learn about the consumer, address her ideas or complaints, and proactively offer assistance, guidance or resources as needed. Companies can, for example, build interactive Facebook applications and nurture relationships with targeted communications.

The technology that makes the rapid innovation of the social enterprise possible today is called cloud computing. In 2012, social, mobile and open cloud computing technologies will enable companies to transform into social enterprises by putting customers at the heart of their business.

MIKE NEWKIRK

Director
SAS MANUFACTURING & SUPPLY CHAIN SOLUTIONS

CPG manufacturers increasingly need better alignment, visibility and the capability to sense and translate demand patterns into actionable profitable operational plans. Recent research shows that demand management is a key issue for all manufacturers and most still manage their supply chain with spreadsheets and struggle to apply analytics.

> "Best-in-class CPG manufacturers are now becoming more demand-driven, selling their products through their market channels, pulling their products through the supply chain."
>
> **— MIKE NEWKIRK, DIRECTOR, SAS MANUFACTURING & SUPPLY CHAIN SOLUTIONS**

Traditionally, supply chain management professionals have focused on matching demand to supply. This has put the emphasis on supply efficiency with less emphasis on the science of demand. In their scramble to meet demand with supply, companies have been blind to profitability, and focused on leaning their supply chain. While many good things result, they are unbalanced in this supply-centricity. Lean supply emphasis makes it difficult to react to volatile demand like the recent economic downturn.

Best-in-class CPG manufacturers are now becoming more demand-driven, selling their products through their market channels, pulling their products through the supply chain. This new demand-driven focus is on sensing, shaping and translating demand. Having clear visibility into channel inventory is an important step to managing a successful supply chain, and a "sell through" pull model can provide better visibility.

Demand-driven companies excel in optimization analytics and have transformed their processes while reducing risk by focusing on demand sensing and then shaping demand to drive the best and most profitable demand response based on domain knowledge and analytics including "what-if" scenario modeling. More mature companies understand the value of demand-driven concepts and the economics of their markets have made it necessary for them to match their constrained supply to their unconstrained demand. A balanced approach is to synchronize supply to demand and the technology and expertise to do that now exists.

DOUGLAS M. RAMMEL

Chief Strategy Officer
SEETTEK LLC

2012 will be the year of generational change. The Baby Boomers are now officially retiring, both in real planned numbers, and in unplanned layoffs and extended unemployment. Meanwhile, the millennials are emerging as both new employees in the work force and as a substantial influence of purchasing power in the market place. Both groups are driving changes to which retailers and consumer package brands must be responsive.

> "The consumer's ability to compare and contrast price, performance and quality will allow greater consumer choice across brands, products, retail settings and rankings. We must be ready to compete because competitive it will be!"
>
> **— DOUGLAS RAMMEL, CHIEF STRATEGY OFFICER, SEETTEK**

As the Baby Boomers age and retire, their priorities are changing and their purchasing patterns are more focused in health, beauty and home health functioning. The over the counter market for health enhancements, supplements and anti-aging products is growing substantially, and retailers are responding by carrying more health and better-functioning enhancement products.

The millennials are really starting to hit their stride from a purchasing power perspective and in their fledgling careers. They are more mobile, more demanding and expect greater value and performance from their purchases. They don't expect to pay full-price for any normal product but are willing to pay a premium for perceived greater value or performance. They show little brand loyalty and tend to value discovering unique brands and specialty products over the tried and true.

As an industry, we need to meet both of these purchasing groups where they are and with what they need and want. That means that healthcare will be a growing part of most companies product offerings and consumers' daily lives, and new mobility access and social media tools are here to stay. In addition, the perception of value and the consumer's ability to compare and contrast price, performance and quality will allow greater consumer choice across brands, products, retail settings and rankings. We must be ready to compete because competitive it will be!

SUNIL THOMAS

North America COO
SELERANT

Introducing a "newer" and "better" version of a product is in and of itself nothing new. The why's and how's are. The food and beverage industry in particular is seeking out four different aspects for 2012:

- **Sustainable Products:** Moving beyond condensed packaging, but into a truly sustainable product line from concept through development, manufacturing and distribution to market.
- **Base Recipes from a Previous Product:** Product lines will capitalize on trends, using their own hallmark brand as the template recipe, adding additional flavors. This can already be seen in the premium alcohol brands.
- **Nutrition:** Although nutrition has been a long-standing analysis of the industry, the trend changes (gluten-free, whole grain, low sugar, etc.). Optimizing formulas based on the overall health goals and current trends of a current recipe will enable food and beverage corporations to substantiate claims.
- **Labeling:** Government agencies are still in debate over many processes of how and where the labeling should be displayed. As recently as December 2011, the USDA is considering new legislation for generic brands.

Food and beverage corporations can prepare for all of these changes and trends by looking at their current methodology and determining if it enables them to mine their formula databases to find the formulas (not only by name but by formulaic values, user and keywords). R&D team members should also be able to easily view

the details of formula and run analysis that will generate the documentation needed (regulatory, claims, labeling).

CARA TAYLOR

VP, Finance
SONY PICTURES HOME ENTERTAINMENT

Our greatest challenge is managing the evolution from physical to digital… not only the decline in physical product sales versus the growth and development of digital sales specific to our industry, but also the shift that is occurring in the market place. As venerable brick and mortar retail partners struggle to keep people in store, we are challenged to understand how the consumer is shopping and how they will continue to consume our products. The ramifications of the answers affect everything from product offerings, marketing, supply chain, pricing, trade promotions and more. Requiring companies to integrate and knowledge share is needed more than ever. We seek to educate ourselves by taking in and analyzing data (syndicated, point of sale) and tasking the entire organization to think and strategize in much broader terms. However, this in and of itself is a huge challenge due to the sheer volume of transactional data both available and necessary to make actionable decisions. Over the next year, we plan to focus our efforts on using the data collected from our tools (data warehouse, trade promotion management) to revamp and support our commercial vision as well as partner with our customers to develop combined go to market strategies that make sense in the current environment.

BRYAN SEYFARTH

Director of Product Strategy
SOPHEON CORPORATION

The most noteworthy change we expect to see is related to product innovation. Because of persistent volatility in economic conditions, commodity costs and consumer preferences, more and more CG companies will look for ways to respond with greater speed and effectiveness to external developments.

Historically, many CG companies have treated innovation planning as a once-a-year process. As result, they are sometimes slow in reacting to shifts in the business environment. Consequences include "fire-drill" development efforts, low-margin, late-to-market offerings and loss of market share to more strategically and developmentally agile competitors. A growing number of CG manufacturers are realizing the critical importance of continual reassessment of innovation plans and adjustment of product-development priorities. This process, which needs to take place at the executive level, often means more than shifting funds from project to project. It may require adjusting the plan itself, re-focusing investments from one strategic segment to another. It may also require re-thinking how the front end of the innovation process is being managed. If the front end is managed well, an organization should be able to rapidly add new concepts to its pipeline to capitalize on opportunities created by external developments.

Our recommendation is that CG companies move quickly to assess their ability to systematically respond to market change, analyzing their innovation planning process just as they do other mission-critical business processes. Companies that can operationalize effective response to change are likely to be the ones that find the greatest success in 2012, and beyond.

> "Just as the younger generation uses social networking as part of their everyday lives, expect this generation to be the 'forever frugal consumer' using more coupons and searching for deals online."
>
> — PHIL LEMPERT, THE SUPERMARKET GURU

PHIL LEMPERT

The Supermarket Guru

2011 brought us higher food prices at unprecedented levels, crops and livestock destroyed by global weather catastrophes, nations at war over the lack of food supplies, and more food recalls from unique points of origin. Americans love their foods — in supermarkets, on television, at restaurants and now even on their mobile phones — we are a nation obsessed with food trucks, molecular gastronomy and struggling to eat as local as we can. All of which has built a foundation for what may be one of the most exciting and game-changing years in the food world.

There is little doubt that in the coming year we will continue to see food prices rise based on environmental conditions as well as offsetting higher production costs. The costs of fuel, feed, packaging, food safety coupled with a higher

demand for export all will factor into the retail price on the shelf. Many of the savings tactics most shoppers deployed in 2007 as the recession began are still being used each time they shop for groceries — using coupons, frequent shopper cards, shopping lists, shopping at non-traditional foods stores, and even trading down their choices to less expensive brands are part of the regular routine. I expect to see consumers shave costs by augmenting their recipes by decreasing the amount of the more expensive meats and seafood and adding more non-meat proteins that are filling and less expensive, including whole-wheat pasta, tofu, lentils, brown rice and vegetables to recipe.

Supermarkets may well need to do more than just advertise "lower prices" and move to offer unique plans to save money like "lay-away" plans for larger purchases, including holiday dinners that are tied into frequent shopper plans and offer bonus discounts (put $200 in your lay-away fund and store adds 10 percent bonus) and resurrect the bargain bins from the bygone department store era for deeply discounted opportunistic buys to compete with the dollar stores and outlets.

Expect shoppers to use their mobile devices to calculate a price per portion cost rather than the unit price of individual products listed on the shelves. Just as the younger generation uses social networking as part of their everyday lives, expect this generation to be the "forever frugal consumer" using more coupons (higher than any other demographic) and searching for deals on line (63 percent spend three hours or more each week — double that of any other group). Besides saving money, perhaps this will even force Americans to finally slim down.

The biggest influencer for 2012 will certainly be the cost of food.

LORA CECERE

Founder & CEO

SUPPLY CHAIN INSIGHTS

What is going to have the greatest impact on the consumer products industry in 2012? I believe that it is convergence. We are at a tipping point. It can redefine customer relationships, the links of the supply chain and open up opportunities for new business models. Convergence is the coalescence of many technologies. It is the combination of social, mobile and local (often coined SOMOLO) in combination e-commerce along with the Internet of things along with new forms of data. The opportunity before us is the ability to define new outside-in processes that can truly connect the customers' customer to the supplier's supplier in a more meaningful way with less latency. I don't think that it will be any one technology. I also do not think that it will be technology for the sake of technology. Instead, it will be a combination of technologies that will fuel a generation of new processes. Let's take some examples. The intersection of the social and interest graph will redefine marketing campaigns. Electronic wallets will redefine couponing. It will allow companies to define the "new customer experience" as they apply the new technologies to the digital-path-to-purchase (DPTP). The elimination of printed circulars in grocery will change the rhythm of the grocery supply chain. User-defined content will redefine demand insights and improve product innovation cycles. New forms of pattern recognition through MapReduce will redefine demand and supply visibility. Product and temperature sensors will redefine the cold chain just in time for food safety legislation. Geo-location and mobility will increase the accuracy and timeliness of inventory data. Collaborative technologies in combination with mobile will improve worker productivity. It will shorten supply chain cycles. It will redefine "supply chain intelligence". Just as barcode scanning allowed us to see the "each" or the individual unit, this convergence cycle will allow us to see data in the supply chain with more granularity and less latency. It will allow sensing. Leaders will use it to redefine applications to continuously test and learn. Their processes will adapt and evolve. Laggards will struggle to put these new forms of data into yesterday's systems. I say, "Bring it on!"

ROBERT I. TOMEI

President, Consumer & Shopper Marketing

SYMPHONYIRI GROUP

For 2011, SymphonyIRI predicted CPG marketers would start to realize the power of "direct-to-shopper" marketing as part of an enhanced shopper marketing activation strategy. This is clearly reflected in the increased use of digital media by leading marketers in the space. A critical aspect of this includes gaining a highly detailed, 360-degree view of shoppers and fully understanding all the influences that impact their behavior. For 2012, the need for powerful shopper marketing activation strategies will only intensify. The key enabler for realizing true benefits of "direct-to-shopper" marketing programs is the ability to understand and quantify the opportunities that exist for a banner, category or brand at the individual store and household level.

It is essential for marketers to effectively develop, pack-

age, position, merchandise and price products to reach specific shopper segments in the challenging economic environment in which these goods compete today. Marketers will need to adjust marketing and sales strategies to accommodate different segments of the population. They must also fully understand how shoppers are using digital and social media and how mobile platforms will ultimately drive shopper decisions on store preferences and product purchases. Today, while just 12 percent of the population uses digital media heavily when making purchase decisions, this segment is rapidly growing and represents the consumer and shopper of the future for marketers.

To maximize the impact of a shopper activation strategy, marketers must focus on reaching shoppers during three critical periods: at home, "on the go" and in the store. While strategies for reaching shoppers at home and in the store exist today, and marketers are leveraging these with increasing effectiveness, SymphonyIRI predicts that "on the go" communication platforms, focused on shoppers who are traveling to and from work, in the store aisle ready to make a product selection, and in similar situations will see new levels of innovation in 2012 and beyond.

Marketers who possess a deeper understanding of their shoppers and who leverage that knowledge to drive effective direct-to-shopper marketing programs will ultimately win in the marketplace.

MICHAEL FORHEZ

Industry Director,
Consumer Markets
TATA CONSULTANCY SERVICES

For brands, this year's big story begins with the massive, exponentially escalating flow of consumer data. Mobile computing, smart phones, tablets, social networking, in-store sensors, advanced POS systems, are all adding to an increase of both structured and unstructured data. Consider that on a monthly basis consumers are generating more than 30 billion pieces of content to Facebook and 32 billion searches on Twitter. Each teenager, on average, is sending more than 4,700 text messages. Add to this, 10,000 payment card transactions, every second, worldwide. The total: up to 2.5 quintillion bytes of data are created … every day!

Now combine the above with all the other traditional sources of data relating to the consumer experience and one may begin to grasp the opportunity — and magnitude — for generating, managing and leveraging this cacophony of consumer intelligence.

For 2012 the keystone issue must certainly be "Big Data". However, "Big Data" by itself is an unintelligible chaos of bits and bytes. For CPG marketers, the challenge ahead will be in enhancing the consumer experience using clear insights gleaned from "Big Data"-driven intelligence. To do this the enterprise as a whole will need to master and utilize all available data using a Unified Data Science System (UDSS). Such a system will make possible the transformation of data chaos into data order.

Without a mastery of "Big Data" all other industry trends and initiatives, like SCI, DSR, TPO and MMM, may needlessly stall. Should this happen, the ability to serve consumers the way they — we — have come to demand, won't advance.

The "big story" — "Big Data"!

> "For CPG marketers, the challenge ahead will be in enhancing the consumer experience using clear insights gleaned from 'Big Data'-driven intelligence."
>
> **— MICHAEL FORHEZ, INDUSTRY DIRECTOR, CONSUMER MARKETS, TCS**

ROBERT BYRNE

CEO
TERRA TECHNOLOGY

Consumer products companies will continue to face severe demand volatility and significant cost pressure in 2012. Changing consumer preferences and retailer requirements, increased supply chain complexity, shorter product lifecycles, natural disasters and uncertain financial markets will create shifts in demand. Raw material and fuel prices will stay high. The largest opportunity to counter these pressures is by leveraging retailer data to improve supply chain operations. The strategic importance of the supply chain will continue to grow and be recognized as a key enabler for profitable growth and as a competitive advantage. Manufacturers should invest in demand sensing technology to better manage volatility and improve their ability to predict orders. Companies that do so will respond more quickly to spikes in demand, increasing service levels while reducing inventory and costs.

TOM SZAKY
Founder & CEO
TERRACYCLE

The ground swell of political support for packaging laws could mean a bonanza of new business opportunities for TerraCycle and other recyclers. The Green Dot system in the European Union has been around since 1991, and has since expanded to 23 European countries. When consumers see packaging with the Green Dot logo, they know the manufacturer is required to help subsidize the costs of recovery and disposal of waste. Now, other countries, including Israel, Hungary and Brazil, are discussing similar laws that require a manufacturer to pay a packaging tax if their packaging is not recyclable. This tax will go toward subsidizing the collection and disposal of the non-recyclable material.

These laws force companies to look for more recyclable packaging, and TerraCycle is positioning itself to be the solution since it provides expanded options for recycling, relative to municipal recycling. TerraCycle is always looking to expand on the waste streams it collects and accommodate more trash, and I expect that with these laws, more companies will turn to private recyclers like TerraCycle to find solutions for their trash, even while they look to make the packaging itself easier to solve for.

The industry as a whole will be looking at ways to make recycling easier, whether that means changing the actual packaging or changing the way we look at our recycling options. These laws are going to have an impact on everyone's behavior, and they're a prime opportunity to use sustainability to avoid extra costs (such as the tax that will be imposed).

LORNE SCHWARTZ
President & CEO
TRADEINSIGHT

One of the most impressive changes in the industry over the past year is the consumer's newfound leverage in the purchase process. Consumers have learned to utilize social media and digital marketing to their advantage. Shoppers are planning more purchases in advance and are willing to make more trade-offs with higher-quality private label offerings in exchange for savings. The sometimes rocky relationship between manufacturer and retailer will need to improve and strengthen to cope with these new shopping behaviors, which are expected to continue due to the soft economy and higher food prices.

Building a strong platform of collaboration among brokers, distributors and retailers will be the key to balancing relationships along the supply chain and maximizing profitability. A winning partnership can be best achieved, or at least initiated, by sharing accurate and real-time information. CG companies can start by showing retailers the impact of their trade promotion activity in terms of volume, increased sales and profitability. Today's technology allows this to be done at nearly any level, including time period, promotion type or even by product. When a manufacturer can be specific about the impact of a particular event, they deliver truly valuable and useful knowledge to the retailer. It's upon such knowledge that new alliances and true relationships can be built.

Considering the variables, today's evolving consumer habits will be a catalyst that takes industry collaboration to the next level rather than creating a permanent fracture between CG manufacturers and retailers.

GREGORY LEWIS
Membership and Development Manager
THE SUSTAINABILITY CONSORTIUM, UNIVERSITY OF ARKANSAS

Sustainability is no longer a buzzword used only to attract conscientious consumers. In today's world, more innovative competitors will soon surpass companies that don't overhaul environmentally high impact processes. For savvy businesses, "improved sustainability" has become synonymous with "efficient", and efficient is synonymous with profitable. However, effectively and consistently measuring sustainability is a significant challenge and, it is difficult to improve what can't be measured. In addition, even if something can be measured, sometimes the real challenge is communicating improvements in a trusted and transparent manner.

As we venture into 2012, it will become more important for CG companies to have the ability to measure and effectively communicate the environmental and social impacts of their processes in a harmonious and globally accepted manner. The complex, multi-stakeholder composition of the supply chain has posed a significant barrier to developing a uniform system and, as a result, obtaining significant improvements in sustainability has been impaired.

To help solve this issue, The Sustainability Consortium (TSC), a unique collaboration of more than 100 companies, governments, scholars and NGOs, is attempting to create a

globally recognized "Sustainability Measurement and Reporting System". Major retailers, like Walmart, Tesco, Kroger and Best Buy, have been grasping for systems to streamline sustainability metrics and are eager to weave the outputs of TSC into their purchase-decision processes. These retailers, along with dozens of other CG companies, are actively engaged in the development of easy-to-use, yet scientifically based Category Sustainability Profiles.

One of the first outputs of this system — slated for completion by the end of 2012 — will be the development of 100 Category Sustainability Profiles (CSPs). In 2012 there will be significant realization that all CG stakeholders will need to be able to communicate multiple attributes of sustainability in a transparent and consistent manner to all actors in the supply chain.

JOHN BECKETT
President
VENDOR MANAGED TECHNOLOGIES INC.

It appears that 2012 will see continuing recovery and intense politics in the United States although the recovery may be dampened by economic struggles in Europe and volatility in the Middle East. As consumer spending slowly increases, it will shift into higher end segments and price sensitivities will subside. CG companies will loosen their belts as revenues improve so technology spending should increase for areas with hard ROI.

In 2011, we've seen an upsurge in interest in TPM technology analytics and expect that to increase substantially in 2012. There may be increased interest in demand planning and forecasting solutions but not a significant increase. The wave of IT outsourcing over the past years have led to immense demand for hosted applications (software-as-a-service).

We see a growing interest at CG companies to integrate their applications globally, especially across the United States, Europe and Latin America. This may be a year when CG companies invest in global consolidation of enterprise applications. If so, there will be a significant uptick in consulting expenditures to expand the scope and integration of existing applications, which can provide global coverage.

What we do not expect to see, and wish we would, is significant improvement in collaboration and demand planning with online retailers. There has been minimal sharing of their consumer demand data, which restricts the ability of CG companies to measure marketing effectiveness, especially in the case of social media.

DAVE SHUMAN
COO
VISION CHAIN

The proliferation of mobile applications that empower shoppers with pricing and inventory information, and the increasing influence of social media in the shopper's decision-making process are going to significantly change how CG companies promote products and shape shopper demand. This transparency will require a holistic and collaborative management of both the supply chain and demand generation campaigns enabled by the sharing of demand signals such as real-time consumption, inventory and replenishment data from the store and distribution center (DC). As we move from demand satisfaction to demand creation, consumer data such as market basket and loyalty card enable critical capabilities and insights. Retailers and CG companies must forge a common framework for facilitating this exchange of information. As an empowered shopper has more transparency around retail price, this places a greater reliance on the supply chain to deliver margin and the use of loyalty and market basket data to identify profitably opportunities. We believe that our role is to provide a frictionless environment that enables the business conversation to occur without being hindered by technological or process challenges. Daily consumption, inventory and replenishment data shared in real-time at both the store and DC is critical. These include store POS quantity and dollars, store and DC on hand and on order inventory, store shelf and replenishment settings, and associated master data. This is an evolutionary journey for both CG companies and retailers — data sharing fosters conversations and insights that would not be possible without a common framework.

GRAHAM MILNER
EVP, Global Brand Development
WD-40 COMPANY

At WD-40 Company, our innovation group, Team Tomorrow, is trying hard to focus on where the real innovation "gold" is. Simply put, creating consumer insights that can translate into new white spaces.

For us, white space is about finding ways to connect with our consumers in passionate ways. A passionate way? For Team Tomorrow and our partners, like Innovationedge, that translates to looking for the emotional connection that transcends functional benefits. Using our brand WD-40 to forge new products, new ideas, perhaps new business

models or channels where we think there is an "emotional gap", a white space, for our brand where consumers give us permission to go.

Well, you might ask how is that different in 2012 from any other year?

Our answer is, you're right, not really different, but instead of being just a competitive advantage, it is becoming a competitive necessity.

The cost of oil and tinplate is a worry of today and they are becoming a threat to the company's margins. We know that we need white space innovations that deliver strong margins to provide strong results to our stakeholders internally and externally.

What is the best way to gain or protect margin? For us, it is creating "glue" between our consumers and our brand WD-40. The glue starts with the search for insight that leads to new white spaces that leads to an emotional connection, new products, new delivery or taking a position in a space that has no '"emotional brand leader". This is our reason to get out of bed every day in 2012.

> "It just wont do to have frontline managers in the dark about the tools that cutting-edge shoppers are using."
>
> **— CANDACE CORLETT, PRESIDENT, WSL/STRATEGIC RETAIL**

JOHN M. ROSSI

Global Head - CPG Consulting
WIPRO

The CG industry must further embrace the consumer. It will become the difference between the "haves" and "have-nots". This is not the typical marketing research method we've used forever. It is the combination of social media, digital marketing, CRM, sales force automation, trade promotions and pricing. It's the convergence of these functions and technologies into a holistic capability — to better understand your final consumer wherever they are in the world marketplace.

For instance, are you using social media to interact with loyal consumers about new product development during the ideation phase? If not, then why not? Are you extending this capability to non-users of your products? The best are already doing this, yet there are many companies not using social media in their innovation cycle until after the product is launched. If you want to increase the chances for new product success and reduce your new product development risks, Wipro has developed methods to incorporate social media in rapidly developing and deploying new products.

What about a DSR? Not only the technology, but also the entire lifecycle needs to help you better understand the consumer. No longer will someone save the proverbial three years of data, or worry about purging information. Consumer data will be kept forever. If we thought we had "Big Data" needs from our present ERP, this is going to be mind-boggling in the amount of data stored and successfully used. It's also going to be unstructured and unsolicited. The DSR is a basic building block for your entire consumer insights strategy, and needs to be well thought out.

Lastly, are you worried about analytics? If so, you're already behind the best. They're working on insights. Consumer, shopper, household and customer level insights. The best are starting to move toward predictive gaming scenarios, while the laggards are just starting their analytics journey. Over the next one to three years, we will see the best create a considerable gap between themselves and the rest. If you haven't noticed, it's already happening.

CANDACE CORLETT

President
WSL/STRATEGIC RETAIL

Technology is moving at a turbocharged paced, adding layer upon layer of digital interface with shoppers. Social networking sites have become a core part of the media plans for brands and retailers, and digital is the new essential on the trade promotion calendar. This means that the expertise in digital marketing now needs to spread beyond the digital experts at headquarters and into the rank and file members of manufacturer sales teams and retailer buying groups.

Shoppers now expect to find discounts and coupons in all the traditional places, like circulars and Sunday supplements, and also in the new places, like their e-mail box and pushed to their smart phone. In fact, shopping apps are already in the top five app categories downloaded onto smart phones. In just one year, an App called Shopkick sends shoppers daily deals for some of the biggest retailers — Bath & Body Works, BJ's, Costco, Crate & Barrel, JCPenney, Macy's, Stop & Shop, Target, Walmart to name a few.

Digital promoting is the newest area where companies need to be training their sales teams and retail buyers. It just won't do to have frontline managers in the dark about the tools that cutting-edge shoppers are using. Managers need to know how to read a QR code, have shopping apps on their phone — and know what to do with them! //

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